

Report on corporate governance and ownership structure **2012**

Report at 21 March 2013 in relation to 2012 (pursuant to art. 123-bis, TUIF - Ordinary management and control model)

INDESIT COMPANY SPA

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***Report on corporate governance
and the ownership structure pursuant to art. 123-bis, TUIF***

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Glossary

The following definitions apply to this document:

"AFC": IndesitCo's Administration, Finance and Control department;

"Executive Director": each member of the Board granted individual powers for the executive management and representation of IndesitCo (i.e. the Chairman and the CEO);

"Meeting": meeting of the shareholders of IndesitCo entitled to vote;

"2013 Meeting": the Meeting called to approve the Financial Statements on 6 and 7 May 2013, respectively in first and second calling;

"Financial Statements": the draft separate and consolidated financial statements and the report on the operations of IndesitCo at 31/12/2012;

"CEO": the Chief Executive Officer and General Manager of IndesitCo;

"Code of conduct": the Group's Code of conduct approved by the Board on 25 March 2010 and subsequently modified on 21 March 2013;

"National contract for executives": the national collective payroll contract for the executives of firms that produce goods and services;

"CRC": the Control and Risks Committee of IndesitCo, formerly known as the Internal Control Committee ("ICC");

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

"Code": the "Corporate Governance Code for Listed Companies" adopted by the Corporate Governance Committee of Borsa Italiana S.p.A. in December 2011 and published on the website www.borsaitaliana.it;

"BSS": the Board of Statutory Auditors of IndesitCo;

"RPT Committee": the Board Committee comprising three independent directors that carries out the activities envisaged in the RPT Procedure;

"CC": an HR&CC meeting comprising solely the independent directors and the Chairman of the BSS or another Serving Auditor;

"HR&CC": the Human Resources and Compensation Committee of IndesitCo;

"SDC": the Strategic Development Committee of IndesitCo;

"External Communications": IndesitCo's External Communications and Press Office function;

"Subsidiary": each company directly or indirectly controlled by IndesitCo, pursuant to art. 2359 of the Italian Civil Code;

"Board": the Board of Directors of IndesitCo;

"DALs": IndesitCo's legal and corporate affairs department;

"Responsible Executive" or "RE": Executive responsible for preparing IndesitCo's financial and corporate documentation;

"Executives with strategic responsibilities" or "ESRs": persons with direct or indirect powers and responsibilities for the planning, management and control of the Company's activities; for the purposes of this document: all the members of the Board, the serving members of the BSS, as well as the Chief Division Officers, the Chief Financial Officer, the Chief Supply Chain & IT Officer, the Chief Commercial Officer and the Chief HR Officer, these last having been identified as such by the Board (and referred to as "Other ESRs")

"SHRD": Decree no. 27 dated 27 January 2010 and the various applicable laws and regulations governing the exercise of certain rights by shareholders of listed companies that adopt Directive 2007/36/EC (*Shareholders' Rights Directive*);

"Group": IndesitCo together with its direct and indirect subsidiaries;

"GAP": the Group Administrative Processes function, within the AFC, that manages and applies the rules and procedures needed to ensure compliance with the Investor Protection law;

"IndesitCo" or "Company": Indesit Company S.p.A., Italian company with liability limited by shares;

"Price-sensitive Information": information that (a) is specific, (b) has not been made public, (c) relates directly to IndesitCo or the Group or the financial instruments issued by IndesitCo, and (d) if made public, could significantly influence the prices of the financial instruments listed by IndesitCo. An information is deemed to be specific if:

- i) it relates to a series of circumstances that have occurred or which may reasonably be expected to occur, or to an event that has happened or which may reasonably be expected to happen;
- ii) it is sufficiently specific to allow conclusions to be drawn about the possible effect of the series of circumstances or the event referred to in letter i) on the prices of the financial instruments;
- iii) in any case, it is not available to third parties;

"Investor Protection law": Law no. 262 dated 28 December 2005, "Provisions for the safeguarding of investors and disciplining of financial markets," and subsequent amendments and additions;

"Manual": the Accounting Manual adopted by the Group;

"MBO": the variable annual component of remuneration, payable on the achievement of pre-determined corporate objectives, described further in paragraph 10 of the Policy;

"Model": IndesitCo's Organization, management and control model, the latest version of which was approved by the Board on 21 March 2013;

"NIS": Network Information System operated by Borsa Italiana SpA;

"RPT": Related-Party Transactions, as defined in the RPT Regulation;

"Supervisory Body": IndesitCo's Supervision Body;

"L-TRI Plan": the Long-Term Retention Incentive Plan for certain Group executives, described further in Section I, paragraph 11 of the Compensation Report;

"MTP": the Group's medium-term strategic plans;

"Policy": the general policy on the remuneration of ESRs described in Section I of the Compensation Report;

"Chairman": the Chairman of IndesitCo;

"Communications Procedure": the procedure envisaged in compliance with art. 152-octies, para. 8, IR, adopted by the Board on 23 March 2006;

"Procedure pursuant to art. 150, TUIF": the procedure for complying with the requirements of art. 150, para. 1, TUIF, regarding communications to the BSS, adopted by the Board on 20 March 2003;

"Disclosures Procedure": procedure for disclosing information to the market, adopted by the Board of 14 March 2001;

"RPT Procedure": procedure for carrying out RPTs prepared pursuant to the RPT Regulation and adopted by the Board on 29 October 2010;

"Transactions Procedure": procedure for carrying out significant and related-party transactions adopted by the Board on 20 March 2003;

"RAL": fixed gross annual component of remuneration for employees of one of the Group's companies;

"Register": register of persons with access to Price-sensitive Information kept at IndesitCo and established under a procedure adopted by the Board on 23 March 2006 pursuant to art. 115-bis, TUIF, and the related enabling regulations;

"Issuers' Regulations" or "IR": the regulation implementing the TUIF adopted by Consob decision no. 11971 dated 14 May 1999, and subsequent amendments, concerning the governance of issuers;

"RPT Regulation": Consob regulation no. 17221 dated 12 March 2010, on RPTs, as modified by Consob Resolution no. 17389, dated 23 June 2010, and subsequent amendments and/or additions and/or interpretations;

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

"Reports to the meeting": document containing all the reports on each item on the agenda for the 2013 Meeting and the related proposed resolutions approved by the Board, published pursuant to art. 125-ter, TUIF;

"Compensation Report": the report on the remuneration of ESRs at IndesitCo, prepared pursuant to art. 123-ter TUIF and art. 84-*quater* IR, attached to this Report as Annex 6);

"Gross total annual remuneration or Total remuneration": the sum of the fixed gross annual component, the MBO bonus that the beneficiary would receive on achieving the target objectives, and the annualized portion of the variable component of the L-TRI Plan;

"ICS": the Group's risk management and internal control system;

"Website": the Internet site www.indesitcompany.com;

"By-laws": the by-laws of IndesitCo;

"TUIF": Decree no. 58 dated 24 February 1998, "Consolidated law on financial intermediation pursuant to arts. 8 and 21 of Law no. 52/1996", and subsequent amendments and additions.

Introduction

The Group headed by IndesitCo, founded in 1975 and listed on the Milan stock exchange since 1987, is one of Europe's leading manufacturers and distributors of large home appliances (washing machines, washer-dryers, dishwashers, fridges, freezers, cookers, hoods, ovens, hobs, etc.). It is the undisputed leader in major markets such as Italy, the UK and Russia. Group revenue amounted to about € 2.9 billion in 2012. At the time of preparing this Report, the Group has eight manufacturing locations (in Italy, Poland, the United Kingdom, Russia and Turkey) and employs about 16,000 persons. The Group's main brands are Indesit, Hotpoint and Scholtès.

* * * * *

This Report¹ was approved by the Board of Directors on 21 March 2013. Its purpose is to provide a full description of the corporate governance model adopted by the Company at the date of publication.

To this end, the Report is divided into two parts:

- 1) the first is dedicated to a brief disclosure about the governance system;
- 2) the second comprises a detailed comparison of the governance model actually adopted by the Company with the provisions of the Code.

The system of corporate governance adopted by IndesitCo, previously essentially consistent with the 2006 Code, is also essentially consistent with the Code: The second part of the Report illustrates current compliance with the provisions of the Code, which represents best practice in Italy on this matter, and explains the reasons for the departures therefrom.

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

Words starting with a capital letter have the meanings attributed to them in the Glossary.

¹ When preparing this Report, the Company took into consideration Borsa Italiana's "Format for the report on corporate governance and the ownership structure", IVth Edition (January 2013).

PART ONE – Corporate governance system

1. General principles

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

- define clearly the roles, responsibilities and degrees of importance of business operations;
- maximize value for the shareholders and other stakeholders over a medium/long-term time horizon;
- improve the protection and confidence of stakeholders;
- improve the ICS;
- guarantee the transparency of the financial communications made to the market.

In many areas of corporate governance, the model devised by the Company and adopted by the Subsidiaries reflects some of the most stringent standards and international best practices. For example, on the subject of *internal dealing*, the Company has voluntarily gone beyond the provisions of the Code and Italian law by adopting a procedure (not required by law) that subjects the Group’s directors, Statutory Auditors and top managers to *blocking periods*² and *window periods*³ for their transactions in the financial instruments issued by the Company.

In addition to this Report, IndesitCo’s key corporate governance documents are:

- its By-laws
- the Meeting Regulations
- the Model
- the Disclosures Procedure
- the RPT Procedure
- the Procedure pursuant to art. 150, TUIF
- the Code of Conduct
- the Notices Procedure
- the Procedure for setting up and keeping the Register
- the Remuneration Procedure.

When establishing the corporate governance system and up to the date of this Report, IndesitCo was not affected by the regulatory requirements of other countries where the Group operates.

In order to facilitate detailed market awareness of the corporate governance system adopted by the Company, the documents listed above are available (in Italian and English) on the Website, in the *Company* section, *Governance* sub-section.

As part of the alignment with the Code, the Board resolved to refer to the new Board, appointed at the 2013 Meeting, any decisions on further alignment (including, for example, the formation of an Appointments Committee and the determination of how many days prior to board meetings the preparatory documents should be sent to directors).

² Periods during which they are not allowed to carry out operations involving Company stock.

³ The only periods in which it is advisable to carry out operations involving Company stock.

2. Information on the ownership structure pursuant to art. 123-bis, TUIF

a) Structure of share capital (pursuant to art. 123-bis, para. 1.a), TUIF)

At 31 December 2012, IndesitCo's issued and fully-paid share capital amounted to €102,759,269.40, represented by 114,176,966 shares, par value €0.90 each, of which:

	No. of shares	% of share capital	Listed on	Rights and obligations
Ordinary shares	113,665,684	99.55	Telematic market organized and managed by Borsa Italiana S.p.A.	Shares are registered and electronic. Each share entitles the holder to a proportional part of the profits made available as a dividend and of the equity remaining on liquidation (with prejudice to the rights of savings shares, indicated hereunder). Each share carries the right to vote without any restrictions.
Non convertible savings shares	511,282	0.45	Telematic market organized and managed by Borsa Italiana S.p.A.	Shares are registered or bearer and electronic. They do not have voting rights (except in the special category meeting). Profits reported in the financial statements, after allocating 5% to the legal reserve, are attributed to savings shares up to 5% of their par value. If in any year a dividend of less than 5% of their par value is assigned to the savings shares, or if no dividend is assigned, the difference is added to the preference dividend for the next two years. If a Shareholders' Meeting votes an interim or final distribution of profits, it shall be divided between all the shares so that savings shares receive an overall higher dividend than that of the ordinary shares, by 2% of the par value of the share. In the case of distribution of reserves, savings shares have the same rights as the other shares. Reduction of the share capital through losses does not entail reduction of the par value of savings shares beyond the portion of the loss in excess of the total par value of the other shares. The Board, directly or through its agents, must promptly inform the common representative of the savings shareholders of any major economic, financial or equity operation by the Company or its subsidiaries which may affect the price of savings shares. In the case of delisting of the ordinary shares or savings shares, the latter maintain their rights, unless decided otherwise at a Shareholders' Meeting. Annual expenses incurred to safeguard the rights of savings shareholders, for whom a fund has been set up, shall be borne by

				Company up to €20,000 (including the common representative's fee).
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As a result of two share capital increases serving a stock option plan in favor of the Group's executives and managers (as detailed in section 7, part I, Compensation Report), authorized share capital amounts to €105,672,569.40, represented by 117,413,966 shares, par value €0.90 each, comprising 116,902,684 ordinary and 511,282 non-convertible savings shares. Pursuant to the above plan, at the date of this report, 147,000 options are available for exercise which, if exercised, would result in an equivalent increase in the number of ordinary shares.

b) Restrictions on the transfer of securities (pursuant to art. 123-bis, para. 1.b), TUIF)

There are no statutory restrictions on the transfer of securities.

c) Significant interests in share capital (pursuant to art. 123-bis, para. 1.c), TUIF)

On the basis of the disclosures made pursuant to art. 120 TUIF, as supplemented by the information received prior to the 2013 Meeting, the following significant shareholdings are held at the date of the Report⁴:

NAME	TYPE OF OWNERSHIP	NO. OF ORDINARY SHARES	% ordinary	% of voting capital
Vittorio Merloni	Direct	1,338,300	1.177	1.304
	Indirect through Fineldo S.p.A.	48,270,000	42.467	47.035
	Indirect through Franca Carloni (spouse)	254,840	0.224	0.248
	Total	49,863,140	43.868	48.587
Ester Merloni	Direct	5,042,400	4.436	4.913
	Indirect through Fines S.p.A.	7,415,190	6.524	7.225
	Total	12,457,590	10.960	12.139
Maria Cecilia Lazzarini	Direct	1,653,000	1.454	1.611
	Life interest in Claudia Merloni shares*	1,492,346	1.313	1.454
	Life interest in Maria Francesca Merloni shares	131,354	0.116	0.128
	Total	3,276,700	2.883	3.193
Claudia Merloni	Direct	2,294,611	2.019	2.236
	Bare ownership – life interest to Maria Cecilia Lazzarini*	1,492,346	1.313	
	Total	3,786,957	3.332	2.236
Treasury shares		11,039,750	9.712	
Float		34,733,893	30.558	33.845
TOTAL		113,665,684	100	100

- shares counted only once in calculating the TOTAL and TOTAL percentage

d) Securities carrying special rights of control (pursuant to art. 123-bis, para. 1.d), TUIF)

No securities carrying special rights of control have been issued.

⁴ Updates may be found on the Website.

e) Employee share ownership: mechanism for the exercise of voting rights (pursuant to art. 123-bis, para. 1.e), TUIF)

Not applicable.

f) Restrictions on voting rights (pursuant to art. 123-bis, para. 1.f), TUIF)

None.

g) Agreements between shareholders pursuant to art. 122 TUIF (art. 123-bis, para. 1.g), TUIF)

None.

h) Change of control clauses (pursuant to art. 123-bis, para. 1.h), TUIF) and statutory provisions regarding public offers (pursuant to arts. 104, para. 1-ter and 104-bis, para. 1)

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

In particular, these include:

- the bond, initially for US\$330 million, arranged in September 2004 on the American market by Indesit Company Luxembourg SA and guaranteed by IndesitCo;
- the €400 million multi-currency revolving loan arranged in July 2011 by a number of Group companies, secured by IndesitCo; and
- the securitization program arranged in May 2010 by IndesitCo and Indesit Company France S.A.S., involving the placement with third-party investors of asset-back securities totaling €100.4 million;
- the €75m loan agreement signed in December 2010 with the European Investment Bank by IndesitCo and Indesit Company Luxembourg SA as co-borrowers;
- ISDA framework agreements governing derivative transactions.

These agreements include clauses requiring a communication to be sent to the counterparts in the event of a change in the controlling shareholder of IndesitCo or its Subsidiaries, with the right of the former to terminate or withdraw from them.

With regard to takeover bids, the By-laws envisage that:

- as an exception to art. 104, para, 1, TUIF, if the shares of the Company are the subject of a public offer for their purchase and/or exchange, no authorization is required from the shareholders' meeting to carry out deeds or transactions intended to impede the achievement of the objectives of the offer during the period between the communication required by art. 102, para. 1, TUIF, and the closing date or lapsing of the offer;
- as an exception to art. 104, para, 1-bis, TUIF, no authorization is required from the shareholders' meeting for the implementation of all decisions taken prior to the start of the period indicated in the preceding paragraph, that have not already been implemented in whole or in part, that are not included in the ordinary course of the Company's business and whose implementation may impede the achievement of the objectives of the offer.

i) Directors' indemnity in the event of resignation, dismissal not for just cause or termination of relationship following a takeover bid (pursuant to art. 123-bis, para. 1.i), TUIF)

See the Compensation Report (Section I, Paragraph 9).

l) Appointment and replacement of directors and changes to the by-laws (pursuant to art. 123-bis, para. 1.l), TUIF)

With regard to the appointment and replacement of directors, reference is made to the Second part of the Report, Paragraph 1.1.

With regard to changes in the By-laws, pursuant to art. 20 of the By-laws the Board may adopt resolutions that modify the By-laws and the meeting regulations in compliance with legislative requirements. The granting of such powers to the Board does not affect the primary authority of the Shareholders' Meeting on such matters.

m) Powers to increase share capital and authorizations to purchase treasury shares (pursuant to art. 123-bis, para. 1, l.m), TUIF)

The Board has not been mandated to increase the share capital pursuant to art. 2443 c.c., unless for the purposes of the *stock-option* plan indicated under paragraph 7, Part 1, of the Compensation Report, nor can it issue participatory financial instruments.

The 2013 Meeting will be called on, among other matters, to authorize the Board to make use of treasury shares pursuant to art. 2357 et seq. of the Italian Civil Code.⁵ The last authorization in this regard was granted at the Meeting held on 4 May 2012, for a period of twelve months. The number of treasury shares held at the end of 2012 was 11,039,750, equal to 9.67% of the total subscribed and paid up share capital.

n) Management and coordination activities (pursuant to art. 2497 et seq. of the Italian Civil Code)

The Company is not subject to "management and coordination" (as defined in art. 2497 et seq. of the Italian Civil Code) by any other company.

This judgment is based on a number of concordant elements: i) Fineldo S.p.A. (Fineldo), the majority shareholder of IndesitCo, is in no way involved in the preparation of the Company's three-yearly strategic plans or annual budgets, ii) Fineldo does not take part in decisions regarding the Company's strategic operations, iii) Fineldo is not involved in the definition of the Company's contractual or remuneration policies, iv) none of the Company's business functions are centralized at Fineldo or vice versa.

3. Compliance pursuant to art. 123-bis, para. 2, TUIF

a) Adoption of a code of conduct (pursuant to art. 123-bis, para. 2.a), TUIF)

See the First Part, Introduction and Principles

b) Description of existing risk management and internal control systems in relation to the financial reporting process, including the consolidation (pursuant to art. 123-bis, para. 2.b), TUIF)

See the Second Part of the Report, paragraphs: 6 (Risk Management and Internal Control System), 8 (Treatment of Price Sensitive Information), 14 (Manager responsible for preparing the Company's financial reports). On the "Main characteristics of the existing risk management and internal control systems in relation to the financial reporting process", see Annex 1 to this Report.

c) Governance of activities at the Shareholders' Meeting (pursuant to art. 123-bis, para. 2.c), TUIF)

⁵ For further details about the proposed resolution, reference is made to the Reports to the meeting.

See the Second Part of this Report, paragraph 9.3 (Meeting and Meeting Regulations).

d) Composition and functioning of the administrative and control bodies and their committees (pursuant to art. 123-bis, para. 2.d), TUIF)

See the Second Part of this Report, paragraphs: 1 (Board of Directors), 4 (Human Resources and Compensation Committee), 6 (Risk Management and Internal Control System), 10 (Board of Statutory Auditors).

4. *New developments in 2012*

In 2012, the Group worked on the following corporate governance activities:

- alignment with the Code;
- adjustment to new regulations on the transparency of the remuneration of key management posts within the Company in view of art. 123-ter, TUIF, introduced by Decree 259/2010;
- updating of the Meeting Regulations;
- review of powers and authority structure following organizational changes;
- alignment with the new regulations on gender balance pursuant to Law 120/2011;
- other updates to the By-laws;
- possible review of the process of alignment with the SHRD in response to subsequent regulatory changes;
- review of the Organizational Model and Code of Conduct following addition to the regulatory framework of new envisaged offenses and changes in foreign regulations regarding corporate responsibility.

5. *Plans for 2013*

The Company will now work on the following corporate governance activities:

- review of powers and mandate following the appointment of the new Board;
- further alignment with the Code following the appointment of the new Board;
- review of the Organizational Model and Code of Conduct following the addition to the regulatory framework of new envisaged offenses.

There have not been any changes in the structure of corporate governance since the end of 2012.

6. *Company organization, management systems and chain of responsibility*

The Company's management and control model reflects the "ordinary" model envisaged in the Italian Civil Code, based on a Board of Directors, a Board of Statutory Auditors and independent auditors. These bodies are appointed at the Shareholders' Meeting and remain in office for three years (except for the independent auditors, which are appointed for nine years).

The substantial number of independent directors and the key roles they play on both the Board and its committees (described later) ensure effective reconciliation of the interests of all shareholders and other stakeholders, as well as the expression of a broad range of opinions during boardroom discussions.

The Board has established four committees: the HRRC and the CRC, with roles and functions as per the

Code, and the RPT Committee and the SDC, whose roles and functions are described in the second part of this Report.

PART TWO - Information on implementation of the Code

1. Board of Directors

1.1. Appointment and replacement of directors (pursuant to art. 123-bis, para. 1.I), TUIF)¹

The Board is appointed based on lists presented by shareholders who, together, own shares with voting rights representing at least the percentage ownership established by current regulations (2.5% based on the Issuers' Regulation). Lists must be filed with the Company's registered office at least twenty-five days before the date fixed for the Shareholders' Meeting in first calling.

Suitable documents, adequately illustrating the professional and personal characteristics of the candidates, must be filed together with each list and the other required documents. Lists must be formed in a manner that allows the Company to comply with the regulations governing gender balance.

All shareholders that present a list, on their own account or with others, must provide a declaration stating under their own responsibility that they are not directly or indirectly related, pursuant to art. 144-*quinquies* IR and art. 14 of the By-laws, with shareholders that, together or alone, hold a controlling interest or the relative majority interest.

Directors are appointed as follows:

- i) one director is taken from the list obtaining the most votes after the list indicated in ii) hereunder;
- ii) the other directors are taken from the list obtaining the most votes, in the consecutive numerical order in which they appear on such list.

The chair of the Board goes to the first candidate in the list in ii) above. Regarding the method described above, lists that do not obtain a minimum percentage of votes equal to half that required for submitting lists are not taken into consideration. On announcing the list of those elected, compliance with the regulations governing gender balance must be checked.

If one or more directors cease to serve during the year, those remaining replace them as required by law, by appointing the first names in consecutive numerical order from among the non-elected names on the lists from which the outgoing directors were taken, provided they are still eligible. If the outgoing director is independent for the purposes of art. 148, clause 3, TUIF, the procedure is the same as above, provided those remaining on the Board include the minimum number meeting the required independence requirements; otherwise, the first among the non-elected names meeting such requirements is appointed. In both these cases, the By-laws require compliance with the regulations governing gender balance.

The Shareholders' Meeting elects the directors appointed pursuant to art. 2386 of the Italian Civil Code with the majorities required by law, appointing replacements using the criteria described in the previous paragraph and in compliance with current legislation. The mandates of the directors appointed in this way expire together with those of the directors in office at the time of their appointments. For further details, see art. 14 of the By-laws.

Directors accept their appointments when they believe they can dedicate the necessary time to the diligent

¹ This section illustrates the appointment of directors in light of the SHRD and the consequent modifications to the By-laws approved by the Company.

performance of their work, having regard for the commitments associated with their working and professional activities.

Meeting on 26 October 2006, the Board decided that five administration or control posts in other listed companies is the maximum that can be considered compatible with effective performance as a director of the Company. All directors currently comply with such limit.

Meeting on 25 October 2012, the Board decided not to establish different criteria dependent on the commitments associated with each directorship role (executive, non-executive, independent) and to defer to the incoming Board any decisions in this regard.

1.2. Composition (pursuant to art. 123-bis, para. 2.d), TUIF)

The current Board was appointed at the Shareholders' Meeting held on 29 April 2010 and comprises eleven directors², whose mandates expire at the 2013 Meeting. The Board includes two executive directors who, in compliance with the By-laws, were delegated powers pursuant to art. 2381 of the Italian Civil Code: Andrea Merloni (Chairman) and Marco Milani (CEO). The remaining nine directors are non-executive, some of whom are independent as defined by both the Code and art. 148, para. 3, TUIF: Valerio Battista (independent), Francesco Caio (independent), Innocenzo Cipolletta (independent), Paolo De Cesare (independent), Mario Greco³ (independent), Aristide Merloni, Antonella Merloni, Maria Paola Merloni and Paolo Monferino (independent).

The current Board was appointed on the basis of a list presented by Fineldo⁴, from which a total of ten directors were elected, and a list presented by Fines S.p.A.⁵, from which one director was elected; both lists were filed not later than 15 days prior to the date of the Shareholders' Meeting in first calling⁶.

Career profiles of all the directors and a list of posts they held as of 31 December 2012 in other listed, financial, banking or insurance companies or other large concerns, are detailed in Annex 2). Further summary information on the structure of the Board can be found in Annex 3).

The 2013 Meeting is called upon to appoint the Board, taking account of the regulations that have come into force in recent years and that have been reflected in the By-laws. See the Reports to the meeting for an exact analysis of all the requirements and rules relating to the above appointments.

1.3. The role (pursuant to art. 123-bis, para. 2.d), TUIF)

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

² The By-laws require the Board to comprise at least five and not more than thirteen directors.

³ Nominated by the minority shareholder, Fines S.p.A.

⁴ The list consisted of 10 candidates and obtained votes corresponding to 79.46% of the voting capital.

⁵ The list consisted of 2 candidates and obtained votes corresponding to 20.54% of the voting capital.

⁶ The SHRD changed the deadline to twenty-five days before the meeting, but such new term applies to meetings whose notice of meeting was published after 31/10/2010.

Code requirements	Concrete application of these requirements by the Board
<p>a. reviews and approves the Company's and the Group's strategic, industrial and financial plans prepared by the management team and presented by the CEO (annual budget, "MTP", industrial plan), and periodically monitors their implementation;</p>	<p>The Board has dedicated two specific meetings to the strategic, industrial and financial plans of the Company and the Group (in July and September). Evaluation of the strategic plans, partly to identify the nature and level of the risks associated with such plans. No decisions have currently been made about the detailed monitoring of these plans, partly because the analysis of "strategic risks" is still in progress. This work will be completed in the coming months and brought to the attention of the Board. The MTP was approved at the September meeting. Meeting on 29 October 2010, the Board decided to establish the SDC committee to provide the Board with advice and proposals when assessing development options in the context of the strategic scenarios considered. Said Committee comprises the Chairman, the CEO and two independent directors, Paolo Monferino and Francesco Caio. The SDC did not meeting during 2012, since the strategic plans were not discussed directly at Board meetings. The annual budget is approved at the first Board meeting of the year (the budget for 2012 was approved at the Board meeting held on 10 February).</p>
<p>b. defines the Company's corporate governance system and the Group's structure;</p>	<p>The Board examined the adequacy of the current system of corporate governance at the meetings held on 21 March 2012 and 21 March 2013.</p>
<p>c. defines the nature and level of risk compatible with the Company's strategic objectives;</p>	<p>Work commenced in 2012, with support from an external consultant, to identify in detail the strategic risks faced, based on guidelines approved by the Board with regard to the medium/long-term plans.</p>
<p>d. periodically checks the adequacy of the organization, administration and general accounting structures of the Company and its strategic subsidiaries, with special reference to the risk management and internal control system;</p>	<p>Meeting on 21 March 2013, the Board also carried out a complete assessment of the Group's organizational, administrative and general accounting structures (the previous assessment was carried out at the meeting held on 21 March 2012). The Board judged the Group's structure to be</p>

	<p>adequate for the achievement of its objectives. In carrying out such analysis the Board was supported by the CRC, the HR&CC, the BSS and other relevant Group functions. In particular, the CRC and the BSS visited one of the Group's principal subsidiaries during 2012, partly in support of the Board's activities.</p> <p>Also at the meeting held on 21 March 2013, the Board confirmed the following Subsidiaries to be "strategic subsidiaries": CJSC Indesit International, OOO Indesit Rus, Indesit Company Polka sp.zo.o. and Indesit Company UK Ltd.</p>
<p>e. examines and approves transactions defined as "significant" on the basis of the related procedure, with special reference to situations in which one or more directors have interests directly or on behalf of third parties and in compliance with the RPT Procedure;</p>	<p>On this point, the next Paragraph and Paragraph 7.</p>
<p>f. assesses the general performance of operations, based on information from the executive directors and periodic comparison of actual results against those planned;</p>	<p>This assessment is made constantly during those Board meetings called to resolve on the results for the period.</p> <p>In order to promote Board meetings as the usual occasion during which the directors (and, in particular, the non-executive directors) can obtain adequate information about the management of the Company, the Executive Directors ensure that the executives responsible for the functional areas relevant to the matters on the agenda are available to speak, if requested, at the above meetings.</p>
<p>g. confers and revokes the powers assigned to the Executive Directors and establishes the limits, procedures and frequency (usually at least quarterly) with which they must report to the Board on their activities while exercising the powers granted to them;</p>	<p>With regard to the powers granted to the Executive Directors, see Paragraphs 1.4, 2 and 4 of the Second Part.</p> <p>In compliance with the "art. 150, TUIF" Procedure, the CEO reports on a quarterly basis to the Board and the BSS on the exercise of his powers, providing sufficient information on operations and, in particular, on any transactions carried out in the exercise of such powers that are atypical or unusual. Lastly, the Board reports to the Shareholders'</p>

	Meeting via the Chairman.
h. resolves on the transactions of the Company and the Group when such transactions have strategic, economic, equity or financial significance for the Company and the Group; in this regard, it establishes general criteria for identifying such significant transactions;	For many years, the Board has approved a procedure establishing what types of transaction have strategic, economic, equity or financial significance for the Company and the Group.
i. is responsible for the ICS, determining guidelines so that the main business risks facing the Company and the Group are properly identified, measured, monitored and managed. It also determines criteria for assessing the compatibility of such risks with sound business management and periodically checks that the ICS is operating adequately and effectively;	See Paragraph 6 in the second part of this Report.
j. assesses, at least once each year, the functioning of the Board and its committees, as well as their size and composition, taking account, among other factors, of the professional characteristics, managerial and other experience, and gender of its members, as well as their length of service on the Board;	<p>Meeting on 25 October 2012, the Board resolved to perform a self-assessment of its activities and requested the Chairman of the BSS to collect the replies and communicate the results on an anonymous basis.</p> <p>In particular, the self-assessment focused on the size, composition and functioning of the Board and its committees. The assessment of the composition of the Board was carried out to check, in relation to the activities of the Company, if the various components (executive, non-executive, independent directors) and professional and managerial skills, including international experience, are adequately representative, taking account of the benefits that may derive from presence on the Board of both genders, various age bands and different lengths of service.</p> <p>The results of the self-assessment were illustrated at the meeting held on 21 March 2013 and identified, consistent with the drive towards excellence sought by the Company for its model of governance, the propriety, diligence and participation of directors in Board decisions. Such activity also gave the Board an opportunity to obtain</p>

	<p>practical suggestions on how to optimize its functional effectiveness.</p> <p>The results of the self-assessment confirm the extremely positive opinion expressed by all directors, especially the independent directors, about the structure and workings of the Board.</p> <p>The results of the previous self-assessment were described at the Meeting held on 21 March 2012;</p>
<p>k. having regard for the outcome of the assessment referred to in the point above, provides guidance to the shareholders, prior to appointing the new Board, about the professional profiles that would be appropriate to see represented on the Board:</p>	<p>On this point, see Paragraph 5.1 in the Second Part of this Report.</p>
<p>l. based on proposals from the HR&CC and after consulting with the BSS, determines the remuneration of the Executive Directors, allocates the total available remuneration among the individual members of the Board, and determines the incentive and retention plans for the Group's top management, as well as the remuneration of the Chief Audit Executive;</p>	<p>On this point, see the Compensation Report</p>
<p>m. pursuant to the Investor Protection Law, ensures that the RE has suitable powers and resources to carry out the tasks assigned to him pursuant to the TUIF, and also that administrative and accounting procedures are being properly implemented;</p>	<p>The RE reports to the Board on his activities at least once each year. The most recent reports were presented at the Board meetings held on 25 October 2012 and 21 March 2013.</p>
<p>n. in order to ensure the proper management of corporate information, adopts a procedure for the internal management and external communication of documents and information relating to IndesitCo, with particular reference to privileged information;</p>	<p>On this point, see Paragraph 8 in the Second Part of this Report</p>
<p>o. provides in the Report the information required by the Code on the structure of the Board and its committees.</p>	<p>On this point, reference is made to Annex 3.</p>

The Board has not, to date, adopted any succession plan for the Executive Directors.

The Chairman ensures that there is sufficient time for the matters placed on the agenda to be discussed constructively and, during the meeting, encourages contributions from the directors; in addition, he

ensures, with help from the Board secretary, that the pre-meeting information is made available on a timely and complete basis, taking the necessary steps to preserve the confidentiality of the data and information supplied.

Via input to a dedicated website, participants are provided with documentation and information in advance of board meetings, so that they have enough time to become informed about the matters requiring their analysis and approval. Major transactions are usually brought to the attention of the Board and discussed at more than one meeting.

The Board considers that the information provided by the Company is complete, even though timeliness could sometimes be improved. To date, the Board has not established deadlines for the distribution of documentation. If the documentation made available is voluminous or complex, it may usefully be accompanied by a document summarizing the most significant and relevant points (although this document cannot be considered in any way a replacement for the complete documentation supplied to the directors). Meeting on 25 October 2012, the Board decided not to take specific steps to expand the directors' knowledge of: the sector in which the Company operates, the dynamics of the business and the related developments, or the relevant regulatory framework. All decisions in this regard were deferred until after the appointment of the new Board.

There were seven meetings during 2012. Attendance by directors was regular⁷. At least six meetings will be held during 2013⁸. Board meetings (each lasting around three hours) are planned on the basis of a calendar approved at the end of the previous year, to facilitate maximum participation by the directors and statutory auditors⁹.

If the Meeting authorizes exceptions to the no-competition requirement of art. 2390 of the Italian Civil Code, the Board must look at the merits of each potential problem and report any issues to the Meeting on the first available occasion.

1.4. Powers of the Board

In addition to the responsibilities attributed exclusively to it under art. 2381 of the Italian Civil Code and the By-laws, the Board has reserved for itself the following powers:

- acquisition, sale or other operations that in any way affect the availability of equity investments classified as non-current financial assets, businesses, lines of business, properties and/or other assets/investments classified as non-current assets, when the value of the individual transactions exceeds €25 million;
- requests to banks and insurance companies to provide secured and/or unsecured guarantees in favor of third parties for periods in excess of eighteen months and in excess of €50 million;
- sign /issue in the Company's name secured and/or unsecured guarantees in favor of third parties for periods in excess of eighteen months and in excess of €50 million, if the country risk is higher than EU level;

⁷ Overall attendance at Board meetings was 94.8%, while attendance by the independent directors was 92.9%.

⁸ Two meetings have been held as of the date of this Report.

⁹ The dates of the Board meetings called to approve quarterly results are also posted on the website.

- sign agreement to obtain loans (in whatever form) for periods in excess of 18 months and in excess of €50 million;
- make grants to initiatives of a cultural, artistic, social or humanitarian nature that exceed €50,000 per grant.

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

1.5. Independent directors

A majority of the Board (six out of eleven) consists of independent directors who, under the corporate governance rules adopted, are deemed independent because:

- a) they are not ineligible for appointment or would not be required to step down pursuant to art. 2382 of the Italian Civil Code, or have not been banned, struck off or declared bankrupt, and have not been sentenced in a manner that bans them, temporarily or otherwise, from holding a public office or directorship positions;
- b) they are not directors of Subsidiaries, the company that controls IndesitCo or fellow subsidiaries of that company;
- c) they do not control the Company, either directly or indirectly or through subsidiaries, trust companies or other intermediaries, are not able to exercise significant influence over it, and do not participate in shareholders' agreements through which control of or significant influence may be exercised;
- d) they are not, nor in the last three years have they been, major exponents¹⁰ of the Company, or a strategically important Subsidiary, or a fellow subsidiary of the Company, or a company or network that, via a shareholders' agreement, controls the Company or is able to exercise significant influence over it;
- e) they do not receive from the Company or a Subsidiary or parent company, and have not received in the past three years, any significant additional remuneration¹¹ over and above their fixed emoluments as non-executive directors of the Company, or as members of a Board committee, including participation in the performance-linked incentive schemes, including the stock option plan;
- f) they have not been directors of the Company for more than nine out of the last twelve years;
- g) they are not executive directors of any other company in which an executive director of the Company has a directorship;
- h) they are not shareholders or directors in any company or organization belonging to the network of the firm of independent auditors engaged by the Company;
- i) they are not spouses or close relatives by birth or marriage, up to the 4th degree, of any person who is in any of the situations indicated above;
- j) they are not linked to IndesitCo or its Subsidiaries or its parent companies or its fellow subsidiaries, or to the directors, statutory auditors or subjects in the situations referred to in the previous points,

¹⁰ "Major exponent" means: chairman, Chairman of the Board of Directors, executive director or executive with strategic responsibilities.

¹¹ The Board has defined as "significant" remuneration, in addition to fixed emoluments, any amount in excess of a) three times total annual remuneration (including fees for attending committee meetings) or b) €200,000 a year.

by employment or self-employment relationships or other financial or professional relationships that would compromise their independence;

- k) they do not, and in the previous year did not, have any significant commercial, financial or professional relations, whether direct or indirect (e.g. via subsidiaries or companies in which they are major exponents or as a partner of a professional firm or a firm of consultants), with:
 - i) IndesitCo, a Subsidiary or any of their major exponents;
 - ii) a subject who alone, or together with others via a shareholders' agreement, controls IndesitCo, or – in the case of companies or other organizations – together with their major exponents;
 - iii) and are not, and in the last three years have not been, employees of any of the aforesaid subjects.

Compliance with the independence requirements during 2012 was checked by the Board at the meeting held on 21 March 2012. The checks were made with reference to self-certifications presented by the independent directors concerned. The BSS has checked the proper application of the verification criteria and procedures adopted by the Board.

The checks were also made at the meeting held on 21 March 2013. The next check on the independence of the directors will be made following the appointment of the new Board.

The Board trusts that directors who indicate at the nominations stage their suitability to be recognized as independent will work to maintain this status over the duration of their mandates.

The annual meeting reserved solely for the independent directors was held on 25 October 2012, during which certain topics concerning the functioning of the Board and business operations were discussed. In particular, discussions covered the need to assess the functioning of the Board via a self-assessment test. In addition, the independent directors evaluated the possibility of appointing a lead independent director, even though this would not be required pursuant to the Code. The independent directors decided not to appoint a *lead independent director*, since they agreed that (a) they are involved in the life of the Company in a very active and proactive way, including participation on the various Board committees, and (b) all the independent directors maintain direct relations with the Executive Directors and management and, accordingly, need no further liaison.

2. The Chairman

The Chairman is the legal representative of the Company and represents it in relations with the institutions and the media. He promotes the Company's image and ensures that the programs under implementation are adequate. External Communications and CSR both report to the Chairman.

He calls Board meetings and determines the agenda, coordinates Board activities and guides the discussions. In this context, he also ensures that directors are informed in advance about the items on the agenda, reviewing and approving all the documentation to be sent to participants. Further, the Chairman:

- defines, together with the CEO, Group strategies to put before the Board and approves the CEO's operating plans, being constantly updated via periodic meetings with top management on the Company's business performance and morale and motivation of employees (partly by visits to and

meetings at corporate locations);

- participates in the selection of new executives for positions reporting directly to the CEO;
- is consulted by the CEO ahead of any creation, modification or elimination of organisational positions that report directly to the CEO;
- shapes the long-term strategic vision, within which MTPs are developed by the CEO and management team;
- ensures that the Group operates in compliance with the law and ethical and moral principles, and is managed applying valid and prudent accounting and administrative principles;
- ensures that directors participate in initiatives designed to deepen their knowledge of the business and its dynamics, as well as of the sector in which the Group operates, having regard for the relevant regulatory framework, so that they can carry out their tasks effectively.

Lastly, the Chairman is also the Director responsible for the ICS. In this role, the Chairman (partly as a result of adopted the principles contained in the Code):

- ensures that the main business risks, in relation to the characteristics of the activities carried on by the Company and the Group, are identified and periodically presents them for examination by the Board;
- implements the guidelines defined by the Board and oversees the design, implementation and management of the ICS, constantly monitoring its overall adequacy and effectiveness;
- adapts the ICS in response to changes in operating conditions and the legislative and regulatory background;
- may request the Internal Audit function to perform checks in specific operational areas and on compliance with internal rules and procedures in the conduct of business operations, informing at the same time the Chairman of the CRC and the Chairman of the BSS;
- reports on a timely basis to the CRC (or the Board) on problems and issues arising in the performance of his activities, or otherwise coming to his attention, so that the CRC (or the Board) can take appropriate action;
- proposes the appointment of the Chief Audit Executive to the Board.

In this context, during 2012 the Chairman, with support from an external consultant, commenced work to identify in detail the strategic risks faced, based on guidelines approved by the Board with regard to the medium/long-term plans.

Meeting on 29 April 2010, the Board granted the Chairman certain powers (as sole signatory or jointly with the CEO) relevant to the corporate and strategic responsibilities associated with his role.

The Chairman is empowered on an exclusive basis to make grants in favor of initiatives of a cultural, artistic, social or humanitarian nature not exceeding €50,000 per contribution/year.

The Chairman's powers also include powers for the management and administration of the Company, in order to act as a back-up for the CEO and prevent a management “vacuum” should the CEO be unable to fulfill his duties at any time.

3. The CEO

The CEO is responsible for the operational management of the Company. The Board has granted the CEO all the powers needed for the ordinary management and administration of the Company, except for those reserved exclusively for the Chairman or the Board. In particular, directly or via mandates to managers, the CEO:

- proposes business strategies and collaborates with the Chairman on their definition;
- participates in the definition and expression of the long-term vision;
- as the peak of the organizational pyramid, defines operating plans and takes full responsibility for the achievement of operational and economic-financial objectives, taking prompt corrective action whenever performance falls below expectations;
- directs and co-ordinates all business functions, ensuring, through rapid and simple decision-making processes, that they are fully efficient and compatible with the Company's strategies;
- ensures that the organizational, administrative and accounting structure is always appropriate considering the nature and size of the Group;
- implements the Board's resolutions and decisions within the business organization;
- ensures that the Company is administered in an efficient and transparent manner;
- ensures that the Company is managed on sound accounting principles and that robust control and monitoring systems are in place;
- ensures compliance with the law on the processing of personal data (Decree 196/2003 and subsequent amendments and additions);
- ensures compliance with the law on product safety;
- ensures compliance with environmental and workplace safety legislation;
- ensures maximum protection of the Company's human and economic assets;
- updates the Chairman on business performance and operations in progress;
- he also exercises all operational powers (except those strictly reserved for the Board) as sole signatory, except for those of strategic importance requiring joint signature with the Chairman.

In his capacity as the Director responsible for preparing the Company's accounting and legal documents, the CEO attests, together with the RE, to the adequacy and effective application of the procedures provided for in the TUIF and the Investor Protection law, to the correspondence of such documents with the accounting records and to their suitability for presenting a true and fair view of the Group's financial position, results of the operations and cash flows.

4. Human Resources and Compensation Committee

The Board has appointed a HR&CC. See the Compensation Report (paragraph 5 in the first part) for a full description of the characteristics of this committee.

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

5.1. Appointments Committee

The Company does not have an Appointments Committee because the shareholders have never had any difficulty in producing lists of candidates independently. With regard to the lists presented for the appointment of the Board for the three-year period 2010-2012, the prior selection of candidates by the majority shareholder and minority shareholder ensured that candidates had the necessary expertise and professionalism needed to perform their duties.

On adoption of the Code, the Board decided not to establish an Appointments Committee, confirming the earlier reasons and deferring to Board appointed at the 2013 Meeting any further considerations in this regard.

5.2. General policy for remunerating the executive directors, directors with special duties and executives with strategic responsibilities

Art. 6 of the Code envisages (1) definition by the Board, based on a proposal from the HR&CC, of a general policy for the remuneration of executive directors, directors with special duties and executives with strategic responsibilities and (2) presentation to the Meeting of a report describing this policy, inviting issuers to apply the requirement effective from the 2011 financial year. As required by art. 123-ter TUIF, the first part of the Compensation Report, approved by the Board at the meeting held on 21 March 2013, describes a) the Company's policy for the coming year with regard to the remuneration of directors, general managers and executives with strategic responsibilities, and b) the procedures used for the adoption and implementation of such policies.

Directors' remuneration is high enough to attract and motivate professionals with the qualities and capabilities needed to guide the business successfully. At the same time, however, the remuneration of non-executive directors is geared specifically to the work requested from each of them, including their participation on committees, and is in no way tied to the financial results of the Company or the Group. Full details about directors' emoluments can be found in the Compensation Report (paragraph 6, Part 1).

6. Risk management and internal control system

6.1. Introduction

The ICS is a set of rules, procedures and organizational structures (involving the Board, management and individual operators in the Company) designed to identify, measure, manage and monitor appropriately the main business risks and therefore ensure the sound and proper conduct of business in line with the established objectives. An effective SCI contributes to the management of the Group in a manner consistent with the business objectives determined by the Board, facilitating the taking of informed decisions. It contributes to the safeguarding of assets, the efficiency and effectiveness of business processes, the reliability of financial information, and compliance with the law and regulations, as well as with the By-laws and internal procedures.

The ICS is based on the following principles:

- unambiguous and central nature of the ICS, which requires:
 - clear definition of the levels at which risk management and controls work, in other words the overall scope of the ICS:
 - first level – defining and managing the line controls built into operating processes to minimize the related risks¹²;
 - second level – overseeing the process of management and control of operational risks to ensure their consistency with business objectives and applying segregation criteria to allow for effective monitoring¹³;
 - third level – providing independent assessments of the design and operation of the ICS as a whole, through systematic and professional action¹⁴;
 - an integrated approach covering the various interdependent and coordinated aspects of the ICS which, more in general, are part of the organizational and corporate governance structure;
- complete and cross-functional risk assessment¹⁵, avoiding the dangers of partial supervision of specific organisational fields or legally significant issues, thus covering significant critical situations across the whole organization;
- assurance mechanisms: these are required to ensure continual alignment of the ICS’s design and operation with the Group’s governance and control requirements. Application of this principle presupposes independence of and segregation between operational and control responsibilities, thus preventing potential conflicts of interest between organizational functions and individual positions which might compromise integrated risk control.

The ICS’s main instruments, in addition to the system of assignment of powers and mandates, are the Code of Conduct¹⁶, the Model¹⁷, the policies, the internal procedures and various activities that support the attestation about the existence, adequacy and actual application of the administrative and accounting procedures adopted to prepare the financial statements, which the “RE” must issue in accordance with the Investor Protection law (also definable as the “Internal control system for financial reporting”)¹⁸.

The ICS, consistent with the Code and the most recent developments in governance, embodies the principles of the main international models and involves each corporate function to the extent of its responsibilities:

- a) the Board, which guides and assesses the adequacy of the ICS;
- b) the CRC that support the Board in its evaluation of the ICS;
- c) the Chief Audit Executive, appointed to check the functioning and adequacy of the ICS;

¹² Procedural, IT, financial and behavioral controls carried out by those engaged in a given activity and those responsible for supervising it. All business functions carry out such direct controls in the management of their responsibilities.

¹³ In addition to the supervision of Planning and Control, this level includes the *Compliance* function (under DALs), GAP, the *Health & Safety Dept.* (created within the Manufacturing Dept. to ensure compliance with workplace health and safety standards in the Group), and the Environment and Quality & Process Improvement function (within the Quality-Environment Dept.).

¹⁴ This is done by *Internal audit*, a function that meets stringent requirements for independence and organizational autonomy.

¹⁵ Risk identification and assessment activities look at all events potentially capable of impacting on business results, such as maximization of revenues or margins, containment of costs, customer service, product quality, efficiency and promptness, as well as governance objectives, such as safety, legal compliance, reliability of information, etc.

¹⁶ See paragraph 12.

¹⁷ See paragraph 12.

¹⁸ See Annex 1 for a description of this system.

- d) the other roles and business functions with specific duties in relation to second-level controls and the management of risks, having regard for the size, complexity and risk profile of the business;
- e) the BSS, not least in its role as the "Internal control and audit committee" (see paragraph 10 herein), which monitors the effectiveness of the ICS;
- f) all employees that contribute to the effective functioning of the ICS in relation to the tasks and objectives assigned to them within the organization.

The Company has also established methods of coordination between the above parties, in order to maximize the efficiency of the ICS and reduce the duplication of effort. This coordination activity is, for the most part, carried out by the Internal Audit function.

6.2. Role of the Board

The Board, which has ultimate responsibility for the ICS, acting with support from the CRC:

- a) establishes guidelines for the ICS, so that the main risks facing the Company and the Group are properly identified and adequately measured, monitored and managed. It also determines the compatibility of such risks with the management of the business in a manner consistent with the strategic objectives identified;
- b) assesses, at least annually, the adequacy of the ICS with respect to the characteristics of the business and the risk profile accepted, as well as its effectiveness;
- c) from 2013, approves at least annually the work program prepared by the Chief Audit Executive, having consulted the BSS and the Director responsible for the ICS;
- d) describes, in the report on corporate governance, the principal characteristics of the risk management and internal control system, expressing an opinion on its adequacy;
- e) evaluates, having consulted the BSS, the results presented by the independent auditors in their letter of recommendations, if any, and in the report on fundamental matters identified during the statutory audit work.

The Board has identified:

- the Chairman as the Director responsible for the ICS;
- the CRC, with the characteristics indicated in the following paragraph, as the committee tasked with supporting the Board, via adequate investigative activity, in its assessments and decisions relating to the ICS, and to the approval of periodic financial reports.

In addition, acting on a proposal from the director responsible for the ICS after obtaining agreement from the CRC and consulting with the BSS, the Board:

- has appointed the Chief Audit Executive, fixing the related remuneration in line with the Policy;
- has determined that this function has sufficient resources to fulfill its responsibilities.

In the Report, the Board describes the main elements of the ICS and expresses a positive opinion, thus endorsing the assessments made by the CRC and the BSS, on the effectiveness of the ICS in controlling business risks and monitoring the Group's economic and financial situation.

The Board has deferred to the board to be appointed at the 2013 Meeting the definition of new guidelines for the ICS, not least in order to increase coordination between the various parties involved in the ICS.

6.3. Control and Risks Committee

Commencing from the Board meeting held on 25 October 2012, the ICC¹⁹ has become the CRS and modified its functions consistent with the requirements of the 2011 Code, while its composition has remained the same.

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

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

The Board deems that all members of the committee have significant experience in the fields of accounting and finance, and/or the management of risks, that is adequate for the tasks that the CRC is called upon to perform.

Consistent with the Code, the CRC carries out investigations to assist the Board with assessments and decisions relating to the ICS, the approval of financial statements and interim reports, and relations between the Company and the independent auditors and, in this context, performs the following functions:

- together with the “RE”, after consulting with the independent auditors and the BSS, evaluates the proper use of the accounting standards adopted and their consistency for the purpose of preparing the consolidated financial statements;
- expresses opinions on specific matters regarding identification of the principal business risks;
- examines periodic reports relating to the assessment of the ICS and those of particular significance prepared by the internal audit function;
- monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- in urgent cases, may request the Internal Audit function to perform checks in specific operational areas, informing at the same time the Chairman of the BSS;
- at least every six months, on approval of the interim and annual financial statements, reports to the Board on its activities and on the adequacy of the ICS;
- expresses an opinion when decisions are taken on the appointment, removal, remuneration of and allocation of resources to the Chief Audit Executive.

The tasks of the CRC are contained in the resolution adopted on 25 October 2012. The Board also approves an annual budget (€ 55,000 for 2012 and 2013) so that the CRC has sufficient resources to perform its

¹⁹ The ICC had the following functions:

- checks on the ICS in the context of the guidelines adopted by the Board, proposing any modifications;
- evaluates the work program prepared by Internal Audit and receives periodic reports from that department;
- evaluates, after consulting with the BSS, the results presented by the independent auditors in the report on fundamental matters identified during the audit and in any letter of recommendations;
- monitors the efficiency of the audit system;
- together with the “RE” and the independent auditors, evaluates the proper use of the accounting standards adopted and their consistency for the purpose of preparing the consolidated financial statements;
- on approval of interim and annual financial statements, reports to the Board on its activities and on the adequacy of the ICS;
- carries out investigations (resulting in recommendations and opinions) in order to enable the Board to adopt more informed decisions;
- at the request of the relevant executive director, expresses consultative opinions on matters relating to identification of the main business risks and the design, development and operation of the ICS;
- assesses periodically the progress of the audit work with respect to the plan, thus ensuring the constant monitoring and guidance of this activity.

duties.

The CRC works on the basis of the internal regulation previously approved by the ICC which, among other matters, envisages that:

- the CRC votes on an absolute majority basis, the chair of the CRC having the casting vote in ties;
- minutes of meetings are kept in an authenticated register whose confidentiality is ensured.

Invited by the chair of the CRC and in relation to the items on the agenda, Group managers and representatives of the independent auditors may take part in the CRC meetings. In the performance of its functions, the CRC has full access to information and business functions needed to carry out of its tasks, to which end it may also make use of external consultants within the limits of the approved annual budget. In 2012, the ICC/CRC met formally five times (director attendance was around 66.7%) and its work included, among other things, assessing Internal Audit's annual plan and suggesting audit work to be performed. One of the meeting was held at the British subsidiary, allowing a direct exchange of information with local management.

Given the complementary nature of matters dealt with, all meetings of the CRC in 2012 were held jointly with the BSS, maintaining respect for the reciprocal responsibilities and functions.

The CRC will meet at least four times during 2013, two of which have already been held at the date of publishing this Report.

6.4. Director responsible for the Risk management and internal control system

On this point, see paragraph 2, Second part (Chairman).

6.5. Internal Audit function

In line with the definition of the "*Institute of Internal Auditors*", this function provides the Board, the Director responsible for the ICS, the CRC and the BSS with professional advice on maintenance and continual improvement of the ICS, as well as assurance on control matters, based on checks and assessments of the functioning, completeness and adequacy of the ICS.

This is a third-level control activity and its operating phases may be summarized as follows:

- assessment of the risks characterizing business processes and operating units (*risk assessment*) in order to identify areas most at risk and, therefore, the control priorities (annual audit plan);
- development of the audit plan, identification of critical issues and areas for improvement in the first and second level controls, and discussion of the necessary corrective actions with operating management;
- monitoring of timings agreed for the implementation of corrective actions and their efficacy (*follow-up*);
- review of the results of the audit activities outlined above with the CEO and his reports;
- communication of the results of audit activities to the Board, the CRC and the Director responsible for the ICS.

The Board has appointed Ferruccio Panicco as the Chief Audit Executive.

The Chief Audit Executive, reports directly to the Board:

- checks, on an ongoing basis, in relation to specific needs and in accordance with international standards, the operation and suitability of the ICS based on an audit plan approved by the Board consequent to a structured process of analysis and prioritization of the principal risks;
- is not responsible for any operational areas and reports directly to the Board;
- has direct access to all information needed to carry out his duties;
- prepares periodic reports containing adequate information about his activities, on the way that risks are managed and on compliance with the plans prepared to contain them. The periodic reports contain an assessment of the suitability of the ICS;
- prepares timely reports on events of particular significance;
- transmits the reports to the chairs of the BSS, the CRC and the Board, as well as to the Director responsible for the ICS;
- checks, in the context of the audit plan, the reliability of the information systems, including the accounting systems.

The Chief Audit Executive has the means (annual budget) and structures needed to carry out the function assigned to him (including number of staff and their professionalism).

The remuneration of the Chief Audit Executive was determined by the Board in accordance with Group policies, acting on a proposal from the Director responsible for the ICS and after consulting with the CRC.

The main activities carried out by the Internal Audit function during 2012 were as follows: (i) checks included in the 2012 plan, including operational audits at certain Italian factories, financial audits in the Russian, Ukrainian, Austrian and Greek markets, and business ethics audits at Subsidiaries; (ii) support for the Supervisory Board in updating the Model and revising the Code of Conduct to take account of the offenses identified; (iii) support for the AFC on testing activities linked to alignment with the Investor Protection law and release of an independent opinion on the validity of the internal controls applied to the financial reporting process relating to the financial statements at 31 December 2011; (iv) participation in a cross-functional project designed to improve the governance of access to the SAP information system, with a view to the further segregation of duties.

7. *Related-party transactions*

In accordance with the RPT Regulation, meeting on 29 October 2010 the Board approved a new RPT Procedure adopting the recommendations of the Code and replacing that adopted on a voluntary basis in 2003. The new procedure, which came into force on 1 January 2011:

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

The RPT Procedure distinguishes RPT transactions in terms of “greater importance”, “lesser importance”, transactions through Subsidiaries and the consideration involved.

In the case of transactions of lesser importance and transactions through Subsidiaries, the RPT Procedure is stricter than the RPT Regulation in terms of approving RPTs. In particular, RPTs involving:

- financial transactions involving assets or liabilities;
- acquisitions, disposals and other transactions which in any way affect the availability of equity investments included among non-current financial assets, businesses, lines of business, real estate and/or other tangible and/or intangible assets recognized and/or which may be recognized as non-current assets, when the value of an individual transaction exceeds €10m;
- requests to banks and insurance companies for and the signing/release by the Company of secured or unsecured guarantees and/or other forms of binding support in favour of related parties other than Group companies;
- any other transaction in general, where the value involved is more than or equal to €2m, or €10m as an annual aggregate;
- transactions not carried out at arm’s length or that are atypical or unusual;
- RPTs that have been rejected by the RPT Committee, must be approved by the Board.

The Board established the RPT Committee, comprising the following three independent directors, to approve, apply, monitor and modify the RPT Procedure: Paolo Monferino (chairman), Valerio Battista and Paolo De Cesare. If an RPT involves the remuneration of an ESR, the functions of the RPT Committee are carried out by the RE.

The BSS monitors compliance of the RPT Procedure with current law, and its fairness and application, reporting thereon to the Shareholders’ Meeting pursuant to art. 2429, para. 2 of the Italian Civil Code, or art. 153, TUIF.

Details of RPTs carried out in 2012 can be found in the notes to the Financial Statements.

8. Treatment of Price-sensitive Information

Disclosure to the public domain of documents and information regarding the Company and the Group, and especially Price-sensitive Information, is disciplined by the Disclosures Procedure²⁰.

The Executive Directors are responsible for ensuring that such information on the Company and the Group is complete, accurate, clear and transparent and communicated in a timely manner, on an ongoing basis and as widely as possible. Communication of such information to the outside world is organized by External Communications in the manner indicated in the Procedure.

External Communications is in continual liaison with AFC and DALs to i) ascertain whether a given piece of information is price sensitive for the intents and purposes of current law, or if the disclosure of facts or news is legally necessary, and if it is, to ii) prepare a press release.

The text of communications to the market is prepared using the press release formats approved by Borsa

²⁰ Said procedure assimilates the principles set forth in “Guida per l’informazione al Mercato” (Guidelines for disclosing information to the market), published by Borsa Italiana S.p.A. in June 2002 and the legal and regulatory modifications introduced under market abuse legislation and may be consulted on the Website.

Italiana S.p.A. The communications approved are then released to the NIS circuit and published on the website in the manner envisaged by current regulations.

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

- information on quantitative forecasts and targets relating to business performance;
- provisional accounting figures and preliminary results for the period to be presented in the Group's separate and consolidated financial statements, and interim and quarterly financial reports, as soon as such data is sufficiently certain and thus even before approval by the Board, if no board meeting has been planned for the date when such figures become available.

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

The directors, the office managers and all those with direct access to information and documents concerning the Company, obtained in the performance of their duties, are required to keep such information confidential and only use it for the performance of their duties²¹. They must not take advantage of their price-sensitive information, in accordance with the ban established in current legislation, and must comply with the Disclosures Procedure when communication such documents and information to the public.

Regarding the internal management of Price-sensitive Information, the Company has introduced a series of procedures to protect all internal systems that generate consolidated accounting and management information. All persons who have or may have access to such systems are recorded in the Register.

IndesitCo is committed to ensuring that everyone who has access to (or may access) Price-sensitive Information is aware of their legal and regulatory obligations (and related sanctions) and, above all, about the rules of corporate governance relating to Price-sensitive Information. To this end, a special disclaimer is handed and/or read to participants before all meetings involving management. Further, all persons included on the Register receive a specific training session every year.

9. Relations with shareholders

9.1. Head of Investor Relations

Financial communication plays a prime role for IndesitCo in the process of creating value for the Group: in fact the Company fosters a continual exchange of information with the financial community and the market. To establish ongoing dialog with institutional investors, the shareholders and the market in general, and to guarantee systematic publication of extensive and timely information on its activities, IndesitCo has appointed a Head of Investor Relations. The Head of Investor Relations reports to the CFO and works in compliance with the procedure for disclosures to the market and international best practice. The Head of Investor Relations is assisted by various Company functions (esp. the AFC and DALs).

Financial communication procedures are based on constant contacts with financial analysts, institutional investors and shareholders, in order to guarantee the full and correct perception of changes in the strategic

²¹ As required by section 4 of the Code.

direction, their implementation and their impact on the results.

In 2012, IndesitCo dedicated numerous working days to meetings with analysts and institutional investors. In particular, these included:

- four conference calls, on the announcement of interim results;
- roadshows that visited the financial centers of Milan, London Frankfurt, New York and Boston;
- more than two hundred and fifty contacts with representatives of the financial community via conference calls and one-to-one meetings, many of which were held during conferences organized by Italian and foreign brokers.

In 2005, IndesitCo introduced “silent periods”: on average, during the seven days prior to approval of periodic data (and subsequent disclosure to the market), the Company does not authorize any director, executive or employee of the Group to make public any data, news or forecasts concerning the Group’s economic or financial performance or its reference market. The start and end dates of each silent period are posted on the website.

It is standard practice at the Shareholders’ Meeting held to approve the financial statements for the CEO to report on the activities carried out, while the Chairman illustrates the Group’s values and prospects from the point of view of the shareholders.

9.2. Website

The Company has seen fit to enhance dialog with shareholders by suitably upgrading its website <www.indesitcompany.com>, which contains economic and financial information (financial statements, interim and quarterly financial reports, presentations for analysts, trends in the prices of the Company's listed securities, and coverage of Company stock by financial analysts) and other data and documents of interest to shareholders²². Documentation remains on the site for at least two years.

9.3. Shareholders’ Meetings and Meeting Regulations

Entitlement to participate in Shareholders’ Meetings and exercise voting rights is certified by a notice to the Company issued by a broker, on the basis of its accounting records, in favor of the subject entitled to vote by the seventh trading day prior to the date of the Meeting (record date). Said notices must be delivered to the Company in the manner indicated in the Notice of Meeting²³.

Regarding art. 9 of the Code, the By-laws do not provide for voting by correspondence or electronically, in that this is not deemed useful given the Company’s ownership structure.

Since 2001, the Company has had Meeting Regulations ensuring the smooth and efficient conduct of Shareholders’ Meetings and guaranteeing the right of all shareholders to intervene on the matters on the agenda. These Meeting Regulations were approved at the Shareholders’ Meeting and modified to reflect the requirements of the SHRD. They do not represent an annex to the By-laws. They can be consulted on the Website.

²² Such as, among others, the By-laws, the Meeting Regulations, the composition of boards and committees, corporate governance information, governance procedures, the Code of Conduct, the Compensation Report and the Sustainability Report.

²³ Introduced by the SHRD.

The Meeting held to approve the 2011 financial statements was attended by ten directors out of eleven.

10. Board of Statutory Auditors

The BSS checks the legitimacy of the Company's deeds and procedures by monitoring:

- compliance with laws and the By-laws;
- observance of sound business standards;
- the adequacy of the Company's organisational structure in relation to the ICS and the administrative-accounting system, and the reliability of the latter in accurately representing business events;
- the proper implementation of the corporate governance rules envisaged in the Code;
- the adequacy of the instructions given by the Company to Subsidiaries pursuant to art. 114, para. 2, TUIF.

Further, following the entry into force of the Italian legislation adopting the European directive on independent audits, the "Internal Control and Audit Committee" monitors:

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

In accordance with the RPT Regulation, the BSS also monitors the conformity of the procedures adopted with the principles laid down in the Regulation, as well as their application, and reports thereon to the Shareholders' Meeting pursuant to art. 2429, para. 2 of the Italian Civil Code, or art. 153, TUIF. The BSS does not perform the independent audit function²⁴.

The BSS is therefore required to perform its supervision both ex ante and ex post, which involves checking processes and reporting the results to the directors, so that they can take any necessary corrective action.

The consequent coordination with the management bodies, including those with delegated powers, is deemed compatible with the role of monitoring compliance (with regulations, the By-laws, internal procedures) typically entrusted to the BSS, which differentiate it completely from the Board and the CRC, which essentially evaluate, sometimes in detail, the adequacy of the organization and the results of operations.

The By-laws (art. 22), as modified to reflect the regulations on gender balance, require the BSS to consist of three Serving Auditors and three Alternate Auditors, appointed on the basis of lists submitted by shareholders representing at least 2% of the shares with voting rights at ordinary Meetings²⁵. Pursuant to the Investor Protection law, the Chairman of the BSS is a Serving Auditor elected from a minority list.

A shareholder that presents a list, on his/her own account or with others, must file with the registered office, upon presentation of such list, a certificate issued by authorized brokers pursuant to current regulations proving entitlement to exercise rights and a declaration stating under his/her own responsibility that there is no connection with other lists presented, in accordance with the provisions of the applicable law.

²⁴ The law requires this to be done by Consob authorized independent auditors designated by the shareholders (see paragraph 13).

²⁵ Or any lower percentage subsequently required by law.

Motions to Shareholders' Meetings proposing candidates for the post of Statutory Auditor must be filed at the Company's headquarters at least twenty-five days before the date of the Meeting in first calling.

The selection of candidates must take account of the criteria established in current legislation and the By-laws, including (from the next appointments) those relating to gender balance. Nominations must be accompanied by detailed information on the candidates' personal and professional profiles and by statements from the candidates that they accept their candidacy, that there are no causes of ineligibility or incompatibility and that they meet the requirements for holding the post prescribed by law and the By-laws.

The Shareholders' Meeting held on 3 May 2011 appointed the following Statutory Auditors to hold office (until the Shareholders' Meeting called to approve the separate financial statements at 31 December 2013)²⁶:

- | | |
|--------------------|-------------------|
| – Marco Reboa | Chairman |
| – Andrea Amaduzzi | Serving Auditor |
| – Luigi Biscozzi | Serving Auditor |
| – Michele Casò | Alternate Auditor |
| – Francesco Nobili | Alternate Auditor |

Marco Reboa was appointed from a minority list put forward by Fines S.p.A.²⁷; and Luigi Biscozzi and Andrea Amaduzzi were appointed from the list submitted by Fineldo²⁸.

The CVs of each serving statutory auditor are presented in Annex 4). The structure of the BSS is described in Annex 5).

The Board believes that Statutory Auditors, as well as meeting all the legal and statutory requirements in terms of professional and moral standing and independence, must also qualify as independent under the terms of the definition contained in the Code with regard to directors. Following the checks carried out by the BSS at the meeting held on 12 March 2013²⁹ (based on self-certifications signed by the Statutory Auditors), all the serving auditors were found to meet these independence requirements.

In order to implement the recommendations contained in the Code, in March 2003 the Board approved the Procedure pursuant to art. 150, TUIF. As well as assisting the BSS in its control function, by enhancing the transparency of the Company's operations, this Procedure requires the notices to be sent to the directors as well, so they may form a more aware and informed view of operations, as recommended by the Code in endorsing the central role of the board of directors taken as a whole.

The Company has procedures in place to ensure that the Statutory Auditors can perform their duties effectively. As mentioned, given the complementary nature of matters dealt with and the parties invited to report to it, the BSS met together with the ICC/CRC during 2012, while maintaining respect for the reciprocal responsibilities and functions. Further, the BSS meets at least once a year with the Supervisory Body to discuss matters of common interest and receive that Body's report on activities performed.

The RPT Procedure also applies to the Serving Auditors, since they are considered "executives with strategic

²⁶ At the time of appointment, the By-laws envisaged three serving auditors and two alternate auditors.

²⁷ This list was voted for by 33% of the voting capital.

²⁸ This list was voted for by 66% of the voting capital.

²⁹ The previous check was carried out on 15 March 2012.

responsibilities” as defined by CONSOB.

Within the framework of the tasks attributed to it by law, the BSS judges the system of checking the independence of directors on the basis of self-certification to be valid. In view of the definition of “independent director”, the BSS verified the assessment criteria adopted by the Board again in 2012 and found them to be adequate, consistent and well grounded.

As detailed in paragraph 1.3, the BSS, and its Chairman in particular, was involved in the Board’s self-assessment process. In this connection, it was able to ascertain the substantial satisfaction expressed by the directors with the functioning of the Board.

The BSS held 11 formal meetings in 2012. The average duration of meetings was two and a half hours. The BSS expects to hold 10 meetings during 2013, of which 3 were held prior to the approval of this Report.

11. *Honorary Chairman*

The Shareholders’ Meeting held on 29 April 2010 modified the By-laws to include the possibility of appointing an Honorary Chairman and then appointed Vittorio Merloni as the Honorary Chairman of the Company. The Honorary Chairman remains in office for the duration established at the time of appointment and may be re-elected.

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

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

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

12. *Organizational Model and Code of Conduct*

The Model was adopted by the Board in 2004, partly to allow the Company to avail itself of the provisions of Decree 231/2001³⁰. After new mapping activities in 2012 to keep abreast of both new legislation (regarding offenses) and changes in the Company’s organization, the Model was updated, approved by the Supervisory Body and adopted by the Board at the meeting held on 21 March 2013.

The Model, deriving from the risk-offense analysis related to the activities of IndesitCo. is consistent with the principles expressed in Decree 231/2001, in line with national best practice and the Confindustria guidelines, and is capable of preventing the offenses envisaged in the above regulations.

The Model represents a further strengthening of rigor, transparency and the sense of responsibility in internal and external relationships and, at the same time, offers shareholders adequate guarantees of efficient and correct management. In addition to the analysis of risks, the Model contains a list of procedures designed to cover risks deriving from “sensitive processes” and “activities at risk” with respect to the offenses covered by the aforementioned decree.

The Code of Conduct³¹ contains the rules of conduct to be observed within the Group in relation to

³⁰ The law introduced the “administrative liability” (in practice criminal) of companies for certain offenses committed in their interests or for their advantage by their directors, statutory auditors and/or employees. The law exempts companies, however, that can show they have adopted and effectively implemented an organization, management and control model capable of preventing the offenses in question.

³¹ Published on the Website.

personal behavior and business management and is the basis on which to construct a system of prevention and control. The Code in fact:

- sets forth general principles disciplining the workings of the Group, which acts in compliance with the law;
- contains all the ethical principles that the Group adopts in conducting its business;
- contains a series of rules of conduct to abide by in relationships with certain third parties and in particular with certain “sensitive” counterparts, of which the public administration is the most important;
- requires that all operations and transactions must be correctly recorded, authorized, legitimate, consistent and reasonable and that the decision-making process involved must always be verifiable;
- provides for penalties commensurate with the seriousness of the infringements committed.

The following are subject to the Code: IndesitCo’s Directors, Statutory Auditors and all its employees, as well as all parties who in any way act in the name and on behalf of IndesitCo and, in certain respects only, also suppliers, customers and agents of the Company.

The Board has appointed³² the Supervisory Body, comprising two external independent members specializing in criminal and company law, respectively Bruno Assumma (chairman) and Giovanni Frezzotti, and two internal members, Giuseppe Catalano, head of DALs, and Ferruccio Panicco, *Chief Audit Executive*. Under the Supervisory Body's rules, tied votes are resolved by the casting vote of its chairman.

In making appointments to this Body, the Board adequately considered the requirements for independence, autonomy, professionalism and integrity while, for their part, the members of the Supervisory Body gave assurances about the continuity of action required of their role.

The tasks of the Supervisory Body include:

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

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

The compliance program drawn up by the Supervisory Body will be gradually extended to all Group companies, in line with local legislation on the responsibility of companies equivalent to Decree 231/2001 and, in any case, in order to guarantee adequate coverage of risks relating to the offenses contemplated by the law, in all geographical areas in which the Group operates. As an integral part of this *compliance* plan, the following are adopted by the entire Group:

- the Code of Conduct;
- the system for granting powers and mandates;
- the body of rules and procedures disciplining the Group’s operations and the various business functions.

The Company continually reviews the Model, having regard for new legislation and the increasing number

³² At the meeting held on 25 March 2011.

of offenses punishable under decree 231/2001.

13. Independent auditors

Appointments regarding:

- the audit of IndesitCo's separate financial statements and the Group consolidated financial statements, pursuant to arts. 14 and 16, Decree 39/2010;
- verification during the year that the accounting records are kept properly and that the accounting entries accurately reflect the results of operations pursuant to art. 14, para. 1.b), Decree 39/2010;
- the limited examination of the consolidated half-yearly financial statements in accordance with the provisions of Consob communication 97001574, dated 20/2/1997.

were assigned to KPMG S.p.A. for the period 2004-2012, i.e. until approval of the Financial Statements, by resolutions adopted at the Shareholders' Meetings held on 5 May 2004 (originally for the three-year period 2004-2006) and 3 May 2007 (pursuant to the Investor Protection law, the duration of the appointment of independent auditors was extended to nine years).

For the purposes of rotation and in compliance with art. 17, para. 4 of Decree 39/2010, KPMG S.p.A. changed the audit partner for the final three years of the appointment (2010-2012).

In March 2012, the BSS approved a procedure governing the assignment of work to the independent auditors and to its related parties (its network), in order to strengthen the measures adopted to safeguard the independence of the auditing firm.

In order to facilitate the incoming firm of independent auditors in the start of work and procedures required to safeguard its independence and begin certain preliminary steps in the handover by the outgoing firm of independent auditors, the Meeting called to approve the 2011 financial statements appointed Reconta Ernst & Young S.p.A. as the independent auditors for the nine-year period 2013-2021, one year ahead of the expiry of the mandate granted to KPMG S.p.A. (approval of the 2012 financial statements).

14. Executive responsible for preparing financial and corporate documentation

In accordance with the By-laws, this executive is selected by the Board, following approval from the BSS, from among those persons with sufficient experience in the same and/or other executive functions in the administrative and/or finance and/or control sectors of listed and/or large companies. This executive must meet the moral standing and integrity requirements that apply to the directors.

Meeting on 27 October 2011, pursuant to the By-laws the Board appointed the CFO, Stefano Cavacini, as the Responsible Executive (RE).

The RE has the task of establishing adequate administrative and accounting procedures for the collation of accounting information to be disclosed to the market, and of overseeing effective compliance with such procedures in order to guarantee a high level of internal control over financial reporting.

The risk management and financial reporting control system, and the powers and resources available to the RE - to the extent of his responsibilities - are described in detail in Annex 1.

Annex 1– Main characteristics of the existing risk management and internal control systems³³ in relation to the financial reporting process pursuant to art. 123-bis, para. 2.b), TUIF

1. Introduction

The risk management system cannot, indeed must not, be considered separately from the ICS in relation to the financial reporting process; both are parts of the exact same system, designed to ensure the reliability³⁴, accuracy³⁵, trustworthiness³⁶ and timeliness³⁷ of financial reporting.

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

In defining the rules and methods for developing and operating the system, reference was made to national and international *best practices* (such as the *CoSO Internal Control Integrated Framework*, proposed by the *Committee of Sponsoring Organisations of the Treadway Commission*³⁸ and the *COBIT*³⁹ Framework).

In this project, criteria were defined for identifying:

- the perimeter of Group companies involved, on the basis of their significance to the consolidated financial statements;
- significant processes in terms of their potential impact on financial reporting;
- risks⁴⁰ deriving from failure to achieve the control objectives⁴¹ (e.g. financial statement assertions and other objectives related to financial reporting).

Specifically, the perimeter of relevance was identified taking the following into account:

- *significant accounts*, in terms of materiality⁴²;
- processes that generate the *significant accounts*;
- the significance of the aforementioned processes, identified at the level of each *legal entity*⁴³.

³³ For further details on the existing risk management and internal control system in relation to the financial reporting process (including the consolidated accounts), see the following sections in the second part of this Report: 6 (Internal Control System), 8 (Treatment of Price-Sensitive Information), 14 (Executive responsible for preparing financial and corporate documentation).

³⁴ Reliability (of information): information that is correct and complies with generally accepted accounting standards and meets the requirements specified by the applicable laws and rules.

³⁵ Accuracy (of information): information that is unbiased and precise. Information is deemed unbiased if free from preconceived ideas designed to influence users' decisions and obtain a predetermined result.

³⁶ Trustworthiness (of information): information that is sufficiently clear and complete to enable investors to make informed decisions. Information is deemed clear if it aids understanding the more complex aspects of the business without including the superfluous and going to excessive length.

³⁷ Timeliness (of information): information published by the established deadlines.

³⁸ A private, voluntary organization based in the United States providing guidelines for directors of public and private companies on corporate governance, business ethics, internal control, fraud, risk management and financial reporting.

³⁹ *Control Objectives for IT and related technology* is a set of rules drawn up by the *IT Governance Institute*, a US body whose objective is to define and improve IT standards in businesses.

⁴⁰ Risk: the possibility of an event whose occurrence may jeopardize the achievement of System objectives (i.e. the accuracy, reliability, trustworthiness and timeliness of financial reporting).

⁴¹ Control objectives: the set of objectives that the system of internal controls over financial reporting seeks to achieve in order to ensure the presentation of a true and fair view. These objectives cover the "financial statement assertions" (existence and occurrence, completeness, rights and obligations, assessment and registration, format and disclosures) and the "other control objectives" (e.g. compliance with authorization limits, segregation of incompatible duties, checks on the physical security and existence of assets, documentation and traceability of transactions, etc.).

⁴² The *significant accounts* were selected to obtain a minimum coverage of 90% of the four classes within the consolidated financial statements: Revenue, Costs, Assets, Liabilities; the remaining 10% was further analyzed to make sure it was made up of items which, if considered singly, would count for less than 1% of their respective classes, and the processes associated with such items would already be included in those generating the 90% of balances selected.

⁴³ The percentage contribution of each Material Control Unit (legal entity) to the significant accounts was analyzed, with the minimum objective of covering 75% of the individual balances, as required by the *PCAOB, Public Company Accounting Oversight Board*.

Subsequently, a summary overall analysis was performed of the risk/controls at company/group level (“*entity level controls*”) and the risks/controls were identified at process level (“*process level controls*”).

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

- company control culture (awareness by top management of the need to formalize roles, control responsibilities and a system of internal communication, ensuring overall consistency with the established business strategies and objectives);
- *risk assessment process* (continual identification and analysis of endogenous and exogenous risks capable of compromising the achievement of business objectives);
- controls structure (rigorous methodologies for the design and implementation of control activities to guarantee to top management the proper application of their instructions);
- information systems and communication flows (integrity and completeness of data and information);
- monitoring (on a continual basis to ensure maintenance and improvement of the internal control system).

The risks at process level were inserted into tables covering processes/subprocesses/activities (*Risk and Control Matrix* or *RCM*) and assessed in terms of potential impact on the precision of financial statement data and the probability of occurrence assuming no controls (“*inherent level*” evaluation), in order to distinguish between “primary” controls (indispensable for ensuring coverage of the main risks) and “secondary” controls.

Where likely to impact significantly on financial reporting, the risks identified, including unintentional error⁴⁴ and fraud⁴⁵, were subjected to gap analysis with respect to the relevant best practice, defining a remediation plan and planning the corrective action need to overcome deficiencies and inadequacies in specific aspects of the existing control model.

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

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

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

Such instruments and activities, in support of the RE and the attestation he must issue pursuant to the Investor Protection law⁴⁶, essentially comprise:

- I. the *RCMs* and the related operational activities, in turn organized in four distinct phases (*scoping, risks and controls analysis, testing and reporting, remediation*);

⁴⁴ Error: in the ICS, this means any unintentional act or failure to act resulting in a deceptive disclosure of information.

⁴⁵ Fraud: in the ICS, this means any intentional act or failure to act resulting in a deceptive disclosure of information.

⁴⁶ See, in particular, the Second section of this Report, para. 14.

- II. updates of the Manual;
- III. the sub-certification system;
- IV. analysis and strengthening of administrative/accounting procedures or procedures relating to business processes with a potential and significant impact on financial reporting.

Responsibility for carrying out the aforementioned activities and coordinating the various subjects involved lies with the GAP, whose specific task is to monitor the Group's administration processes, including those relevant for the purposes of the Investor Protection law.

I. *Risk and Control Matrix*

RCM management activities are carried out in four main phases.

1) *Scoping*

The Group carries out an annual update of the analysis perimeter of the administrative/accounting controls system to ensure it covers the financial reporting risks relating to the more significant accounts within the scope of consolidation.

This involves measuring the weighting of each *legal entity* in the Group within the consolidated financial statements, taking account of the impact of the *significant accounts* and related administrative-accounting processes on such statements (quantitative analysis). These results are supplemented, if necessary, after a qualitative analysis that may focus on the characteristics of specific financial statement items, the Group structure, significant changes in business conditions, substantial shortcomings in terms of controls over *financial reporting processes*, etc.

2) *Risks and controls analysis*

The *mapping* of relevant processes/sub-processes/activities and the related controls (at both entity and process level) is periodically analyzed and assessed to ensure their ongoing correspondence with reality and the validity of risk coverage.

The management responsible for significant processes performs an annual review of the descriptions of the activities carried out and the actual controls put in place, to avoid misalignment of the RCMs due to changes during the year (in business procedures, *re-engineering* of processes, organizational restructuring, etc.).

Project work carried out in 2012 resulted in implementation of an IT application dedicated to the management of risks relating to the financial reporting process. Partly due to use of this application, a process has begun for completion during 2013 that involves all significant Subsidiaries in the update of all the control activities that are currently performed.

3) *Testing and reporting*

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

In line with the Group's organizational structure, characterized by a prevalently functional model, activities in this phase privilege an approach structured by operating process (procurement, sales, personnel, etc.), while also sub-dividing activities by *legal entity* to some extent.

Such activities involve:

- line (or first level) monitoring by the operating management in charge of significant processes/activities;
- second level monitoring by GAP, which is also functional/process-based;
- second level monitoring of individual companies (therefore covering all the processes of the legal entity) by a newly-created organizational role: the *Financial Compliance Officer*⁴⁷;
- third level monitoring by the *Internal Audit* function.

After review by *Internal Audit* with the RE and the CRC, to the extent concerned, the results of third level monitoring effectively provide an independent assessment of the design and operation of the controls for the Director responsible for the ICS, as well as for the CRC and the BSS.

A massive self-assessment exercise was commenced in 2012 by the operational management responsible for the various processes/activities (which will continue throughout 2013), in order to check the alignment and consistency of current controls with the best practices envisaged in the Model. This will result in the identification and implementation of appropriate solutions (*remediation plan*).

4) Remediation

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

II. Group Accounting Manual

As part of various initiatives designed to maintain an effective financial reporting risk management and control system, the Group maintains an Accounting Manual (in force from 1/1/2008).

The Manual states the accounting standards adopted by the Group, which are based on IAS/IFRS (*International Accounting Standards/International Financial Reporting Standards*) and which all Subsidiaries must apply in order to ensure uniformity of content of their reporting and account captions and the related measurement criteria. Such uniformity is vital in order to present a true and fair view of business events in the corporate documents and communications made available to the market in relation to interim and annual financial information⁴⁸.

The Manual also includes a Group Chart of Accounts to guarantee not only uniformity of coding, but also the unambiguous accounting allocation of the business events characterizing the operations of the various Subsidiaries.

In addition to defining *reporting* rules for the various business processes, the Manual also establishes principles and guidelines in relation to the obligations deriving from art. 154-bis, TUIF (preparing of accounting and corporate documents and related attestation requirements).

III. The sub-certification system

In view of current regulations and international best practice⁴⁹, the Manual has introduced, as formal and substantive support for the legal attestations/certifications required to be given by the RE and the CEO,

⁴⁷ This is usually the Subsidiary's Finance and Administration Director/Manager, who has specific tasks and responsibilities in terms of compliance, as formally recognized in the job profiling of the AFC area.

⁴⁸ In addition to the annual and interim financial reports required by law, the Group also approves quarterly financial reports.

⁴⁹ Especially in companies listed on Wall Street and subject to the *Sarbanes-Oxley Act*.

pursuant to the Investor Protection law, a series of sub-certifications (“cascade” system) by persons with operational and/or administrative responsibilities who have been assigned powers of management or reporting that effectively entail sharing the legal responsibilities of the RE, at least within the Group and the bounds of their duties.

Two separate types of sub-certification are identified, covering the responsibilities of those at organizational units and those who prepare the Reporting Packages (for each legal entity, in order to prepare the Group’s consolidated financial statements):

- attestation of each reported caption within the income statement, issued by the management of organizational units delegated exercise operational and control powers;
- attestation of the Reporting Packages of each Subsidiary, issued by the respective boards of directors.

In both cases (differing substantially only in the approach taken to determining the relevant context), the persons concerned certify that:

- they have implemented adequate accounting and administrative procedures on the basis of the RE’s guidelines;
- said procedures were actually applied during the period covered by the accounting data;
- such data corresponds to the accounting records and entries;
- such data is suitable for providing a true and fair view of the financial position and results of the operations of the company (or reporting captions) for which they are responsible.

To further strengthen the necessary process of *compliance*, the *Financial Compliance Officer* 1) is appointed as a director of the Subsidiaries that contribute in various ways to the formation of the Group accounting information⁵⁰, 2) provides the necessary *assurance* regarding about the information required in order to prepare the consolidated financial statements and the sub-certifications.

IV. *Monitoring of administrative and accounting procedures*

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

- ensure uniformity in the content in all corporate procedures by providing an obligatory *template* and indicating the minimum information content for each type of document (guidelines, procedures, instructions, specifications, forms, etc.) in terms of responsibilities, timings and control points within the process;
- formalize an opinion on the conformity of significant procedures with the Investor Protection law⁵¹;
- eliminate ambiguity in the management of documentation, via the publication of documents in a special repository accessible to everyone;
- establish a chain of official approval (with a traceable digital signature system) for each procedure.

In 2011, 104 procedures relevant for the purposes of the Investor Protection law were published in compliance with the new standards. Work continued in 2012 to align the body of existing procedures with the new standards (including checks of their compliance with the Investor Protection law).

⁵⁰ At least in Subsidiaries with an administrative body that comprises more than one member.

⁵¹ Analysis of the importance of each procedure for the purposes of the Investor Protection law and the consequent integration, revision or redrafting activities are carried out by GAP; all procedures relevant for the purposes of the Investor Protection law must be approved by the RE.

b) Information flows between functions

To facilitate rational and efficient cooperation between persons involved in the ICS and guarantee a systematic and timely flow of information between the RE, boards of directors and control bodies, the interrelations, spheres of operation and *reporting* flows between these main bodies have all been defined.

Administration and control bodies

The RE reports to the CEO on a continual basis, verbally or otherwise, regarding:

- the ways in which the process of preparing accounting documents is managed and controlled;
- critical issues;
- plans and actions taken to overcome any problems encountered, and the results obtained;
- any shortfall in the means and resources available to him.

The RE reports annually to the Board, and with different frequencies to the CRC and the BSS, on the conformity of the financial reporting control system and on accounting aspects within his brief. In part, this is intended to establish useful exchanges of information with such bodies, with a view to coordinating better the respective control activities and focusing the RE's own efforts on the areas deemed most at risk.

The RE is also required to report to the control bodies and the Board at any time, either directly or through the CEO, if 1) he is unable to perform the tasks assigned, 2) about any significant anomalies, shortcomings or issues concerning the administrative/accounting system, and 3) about facts of a critical or serious nature that might require urgent decisions by such bodies.

The Board, the CRC and the BSS may ask the RE to report to them on matters within his sphere of competence.

In 2012, the RE attended various joint meetings held by the CRC and the BSS, and reported to the Board on his activities at the October meeting.

The RE has access to all the documents that impact on the Company's economic, equity and financial position.

The RE liaises with the independent auditors in the context of constant dialog and exchange of information about the assessment of controls relating to administrative and accounting processes.

Internal Audit

The third level monitoring mentioned above is only one part of the wide-ranging working relationships between the RE and the *Internal Audit* function, which include:

- ongoing consulting on the analysis of the accounting ICS, as well as on the adequacy of the controls implemented;
- signaling of critical areas found during their work that could impact on the ICS regarding processes deemed sensitive by the RE, as well as the remedial actions identified;
- checks requested by the RE to support assessment of the adequacy and effectiveness of administrative/accounting procedures.

Annex 2 - Career profiles of directors and list of directorships and audit posts held in other listed companies, banks, insurance and finance companies and other large organizations.

ANDREA MERLONI

He was born in Rome in 1967. He has been the Chairman of Indesit Company since 29 April 2010 (formerly vice-Chairman since April 2008 and member of the Board of Directors since 1996).
 From 2005 to 2007 he was the director in charge of new business opportunities.
 Again within the Indesit Group, from 2000 to 2007 he was chairman and CEO at WRAP S.p.A., a spin-off from Indesit Company S.p.A. formed to enhance the value of the Company's patents and know-how in the field of household appliance electronics.
 In 1996 he bought the trademark of Benelli S.p.A. and relaunched it in the scooter and large motorbike sector, remaining its chairman and CEO until 2005.
 From 1992 to 1996 he was chairman of Aermarche S.p.A., an air transport service company.
 He is a director of Fineldo S.p.A. (Vittorio Merloni's family holding company), Merloni MP&S S.r.l. and Evolve S.p.A.
 He is a graduate in "Political Sciences".

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

MARCO MILANI

Born in Milan in 1954, he graduated in engineering and became CEO and General Manager of Indesit Company on 27 July 2004.
 Having joined Indesit Company in 1980, he held increasingly important posts, both industrial and commercial, in Italy and above all abroad. In 1998 and until the acquisition of Stinol in 2000, he became responsible for the CIS market (former Soviet Republics) and the other Eastern countries, based in Moscow. Returning to Italy, he became General Manager and, in March 2002, he was appointed CEO of Indesit Company UK, company formed on the acquisition of GDA-Hotpoint, which he guided to full integration with the Group.

VALERIO BATTISTA

Chief Executive Officer and General Manager of Prysmian SpA and head of the entire Prysmian Group organization. He gained over 17 years of experience with the Pirelli Group and headed the Energy Cables and Systems business unit for five years, including the period 2002-2003 during which the Group successfully completed its reorganization plan. He graduated in Mechanical Engineering at the University of Florence in 1981. In 1983 he started work for UnoAerre Italia SpA as Head of the Technical Office. He joined the Operations Department of the Pirelli Group's Steel Cord Division at Figline Valdarno in September 1987. He was promoted to Director of the Steel Cord Division of the Pirelli Tyre Division in 1997 and became the Purchasing Director in 2001. He became CEO of the Energy Cables and Systems business unit in February 2002 and also CEO of the Telecom Cables and Systems business unit in December 2004.

Company	Posts held
Prysmian SpA	CEO and General manager

FRANCESCO CAIO

Born in Naples in 1957, he graduated in Engineering at Politecnico di Milano in 1980. In 1985 he obtained an MBA from Insead at Fontainebleau in France.
 Since 2011 he is the CEO of AVIO SpA.
 In 2008 and 2009 he was a consultant to the British and Italian governments for the definition of industrial policy plans for the development of broadband telecommunications networks.
 In his career he has held senior management posts in multinational groups operating in the telecommunications, technology and consumer durables industries.
 From 2003 to 2006, CEO of Cable & Wireless - fixed and mobile telecommunications in more than 25 countries - (London).
 From 2000 to 2006, CEO of Netscalibur Internet services for businesses (London and Milan).
 From 1997 to 2000, CEO of Merloni Elettrodomestici SpA (now Indesit Company) in Fabriano.
 From 1993 to 1996, CEO of Omnitel - the first private mobile operator in Italy (now Vodafone Italy) and then CEO of Olivetti.
 Since 2009 he an independent director of Invensys PLC (London). He was an independent director of Motorola (Chicago) from 2000 to 2003 and Equant (New York / Amsterdam) from 1997 to 2000.

Company	Posts held
Avio Spa	CEO
Invensys PLC	Main Board
Nomura Politecnico di Milano	Advisory Board

INNOCENZO CIPOLLETTA

Born in Rome in 1941, he graduated in Statistical Sciences at the University of Rome in 1965. He is President of UBS Italia SIM S.p.A

and the University of Trento.

He was Chairman of Ferrovie dello Stato (from 2006 to 2010), of Il Sole 24 Ore (from 2004 to 2007), of UBS Corporate Finance Italia S.p.A. (from 2002 to 2006), and of Marzotto S.p.A. (from 2000 to 2003). He was Director General of Confindustria between 1990 and 2000.

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

As a university lecturer, he has taught in the Faculty of Statistical Sciences at the University of Rome "La Sapienza", at the "LUISS-Guido Carli" university in Rome (where he was also on the board of directors), at the University of Florence "Cesare Alfieri" and at the University of Reggio Calabria.

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

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

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

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

Company	Posts held
UBS Italia Sim. UBS Fiduciaria S.p.A.	Chairman
Poltrona Frau S.p.A. iGuzzini S.p.A. Laterza-Agorà srl Civita Servizi SpA Lunelli SpA	Director

PAOLO DE CESARE

He started his career in 1983 in the Laundry products marketing Department of Procter & Gamble Italia. In his 24-year career in Procter & Gamble he worked in Brussels, London and Kobe (Japan) before moving to Geneva in 2002 as President Global Prestige Beauty and Personal Care. He was responsible for profit and loss, innovation, manufacturing and marketing at one of Procter & Gamble's most dynamic businesses, with global sales of US\$ 3-4 billion. He oversaw 2,000 managers, 5 manufacturing sites and 4 major research centers. Key brands managed were Olaz, Max Factor, SKII, Safeguard, Camay, and the fine fragrances portfolio with Hugo Boss, Lacoste, Gucci, Escada. In this capacity he became a member of the Global Executive Committee, comprising the top 40 executives of the company, and was involved in the acquisition and integration of Wella and Gillette Company.

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

Company	Posts held
Printemps Group	CEO and General manager

MARIO GRECO

Born in 1959, he graduated in Economics in Rome in 1983, and completed a Master in International Economics and Monetary Theory at Rochester University, New York (USA), in 1986.

He began his professional career in 1986 at McKinsey & Company where he remained until 1994, becoming Partner in 1992 and mainly providing financial advice to banks and insurance companies. In 1995 he became Manager of the Claims Division at RAS, moving to the post of General Manager in the following year and to the position of executive director in 1998. In 2000 he became the CEO of RAS and remained until 2005, achieving significant results and recognition, including Insurance CEO of the year in 2004. In the same year he was appointed as a member of Vorstand of Allianz AG. In 2005 he became CEO of EurizonVita within the Sanpaolo IMI Group, and then CEO of the Eurizon Financial Group.

In 2007 he was appointed as Deputy CEO Global Life at Zurich Financial Services, becoming CEO and member of the Executive Committee in the following year. In 2010 he became CEO General Insurance at the Zurich Insurance Group, where he remained until 4 June 2012.

He has been Group CEO of Assicurazioni Generali since 1 August 2012.

Company	Posts held
Assicurazioni Generali SpA	CEO
Gruppo Editoriale L'Espresso S.p.A Saras S.p.A. Pirelli SpA	Director

ANTONELLA MERLONI

Born in Rome in 1965, she graduated in economics and commerce at Bologna University.
She is currently chairman of Fineldo S.p.A..
From January 1990 to January 1991 she trained with the accounting firm Poli e Associati in Milan.
From January 1991 to September 1996 she was head of Communications for Indesit Company S.p.A. in the Eastern Europe area, subsequently becoming directly responsible for the Czech market and then the Romanian market.
She has been chairman of MP&S S.r.l. since 1996.
From March 2001 to March 2002 she worked as a manager in the Advisory and M&A Division of Cofiri S.p.A.
From May 2002 to June 2006 she was chairman and CEO of Faber Factor SpA, a factoring and leasing company.

Company	Posts held
Fineldo SpA	Chairman

ARISTIDE MERLONI

Born in Rome in 1967, he graduated in Political Sciences at the University of Milan in 1996.
As Project Leader he followed the development of the Merloni Group plants in Poland (1996-1998).
Between 1998-1999 he was in the USA, at GEA Boston, as Senior Market Developer.
From 2000 to 2005 he was the chairman of Motonline.com.
He has been chairman of Merloni Progetti SpA since 2004.

Company	Posts held
Merloni Progetti SpA	Chairman
Fineldo SpA	Director

MARIA PAOLA MERLONI

She graduated in Political Sciences and since 1989 has held posts of increasing responsibility, first in the administration area and then in the commercial area of Indesit Company (formerly Merloni Elettrodomestici). She has been in charge of Institutional Relations since 2005 and became a director and member of the HR&CC in 2008.
From 1997 to 2010 she was sole director of "MCP Eventi", a company that plans and organizes corporate and cultural events in Italy and other countries.
Since 1997 she has held important posts on the boards of directors of prestigious companies and the management committees of important associations: CEO of Fineldo (the Merloni family financial holding, of which she is still a director), director of Cinecittà Studios, Panini Spa and Fondazione "Teatro delle Muse" (Ancona), member of the management committee of Associazione Industriali, province of Ancona, Chairwoman of Confindustria Marche, member of the governing body of Confindustria at national level, member of the management committee of Assonime, director of Democratica, Scuola di Politica, and director of Italia Longeva, national agency for the elderly.
In 2006 she became a member of parliament (Ulivo list, DL-Margherita Marche constituency) and a member of Parliamentary Commission X for Productive Activities, Commerce and Tourism and Parliamentary Commission XI for Public and Private Works.
In 2008 she won a seat in parliament with the "Partito Democratico" (as head of the Marche constituency committee), she was shadow-minister for European Community policies and was a member of Parliamentary Commission XIV for European Union policies and member of the Parliamentary Commission of Inquiry into the phenomenon of counterfeiting and commercial piracy.
She also sat on the national committee of the "Partito Democratico".
She was elected to the Italian Senate on the Monti List in 2013.

Company	Posts held
Fineldo SpA	Director

PAOLO MONFERINO

Born in Novara in 1946, he took a degree in mechanical engineering at the Politecnico in Turin and joined the metallurgy sector of the Fiat Group in 1973, initially in steel plant design and construction and then in procurement.
In the early 1980s he took charge of Central Procurement at Fiat Allis, a joint venture between Fiat and Allis Chalmers, a US group based in Chicago. He became COO of Fiat Allis' Latin American subsidiary, based in Brazil, in 1983 and took charge of the entire company in 1986.
In 1987 he was appointed General Manager of Fiat Agri, the Fiat Group's farm machinery company. Following the 1991 acquisition of Ford New Holland, a US company, and the creation of New Holland, he was appointed Executive Vice President of the new company, guiding its Industrial and Commercial Strategies and Business Development from the London headquarters.
From 1996 to 2000 he was Executive Vice President of the Fiat Group with operational responsibility for the following components manufacturers and other industrial operations: Magneti Marelli, Teksid, Comau-Pico, Fiat Avio, Fiat Ferroviaria, Centro Ricerche Fiat and Fiat Engineering.
In 2000, he returned to the USA as President and CEO of CNH (Case New Holland), a world-leading manufacturer of farming equipment and construction machinery (with sales of US\$ 12 billion) formed on the merger of New Holland and Case Corporation.
In 2005, he returned to Italy to become CEO of Iveco S.p.A., a leading European industrial vehicle manufacturer (sales of € 11 billion) and its financial joint ventures with Barclays.
He has been Director of Health for the Piedmont Region since December 2010. In August 2011 he took responsibility for Health and Social Policies for the Piedmont Region.

Company	Posts held
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CNH Global N.V. Ferrari S.p.A. Alleanza Toro S.p.A.	Director
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Annex 3 - Structure of the Board of Directors and of the Committees of Indesit Company SpA

Board of Directors									CRC		HR&CC	
Office	Members	executive	non-executive	Ind.	Length of service (years)	*	No. of other appointments **	No. of other appointments ***	****	*	****	*
Chairman	Andrea Merloni	X			12	100%	0	2				
Chief Executive Officer	Marco Milani	X			9	100%	1	0				
Director	Valerio Battista		X	X	3	100%	1	0				
Director	Francesco Caio		X	X	3	100%	3	2	X	0%		
Director	Innocenzo Cipolletta		X	X	9	85.7%	1	6	X	100%		
Director	Paolo De Cesare		X	X	3	100%	1	0				
Director	Mario Greco		X	X	9	85.7%	2	1			X	100%
Director	Antonella Merloni		X		9	100%	0	1	X	100%		
Director	Aristide Merloni		X		3	100%	0	2				
Director	Maria Paola Merloni		X		5	85.7%	0	1			X	100%
Director	Paolo Monferino		X	X	6	85.7%	2	1			X	100%

Number of meetings held during the year

Board: 7
CRC: 5

HR&CC: 4

NOTES

* This column indicates the attendance percentage of directors at Board or Committee meetings.

** This column indicates the number of directorships or audit posts held by the person concerned in other companies listed on regulated markets in Italy or abroad.

*** This column indicates the number of directorships or audit posts held by the person concerned in other financial companies, banks, insurance companies or large companies.

**** This column indicates with an "X" the director's membership of the Committee.

Annex 4 - Career profiles of serving members of the Board of Statutory Auditors of Indesit Company S.p.A.

MARCO REBOA	
<p>Born in 1955. Graduated in Business Economics at Bocconi University in Milan in 1977/78; registered public accountant in Milan from 1982 and registered auditor pursuant to the Min. Decree dated 12 April 1995. Currently Second Level Professor in the Faculty of Law at University Carlo Cattaneo (LUIC) in Castellanza, with a professional office in Milan working, in the main, on special financing transactions. Over the years, he has published various books and articles regarding the financial statements, business valuations and corporate governance. He is director of Rivista dei Dottori Commercialisti, a professional magazine.</p>	
Company	Posts held
Carraro SpA Interpump SpA Luxottica SpA Parmalat SpA	Director
ANDREA AMADUZZI	
<p>Born in Milan in 1969. Graduated in Business Economics at Bocconi University in Milan in 1992, after obtaining a "Majeur en Control de Gestion" from H.E.C. (Grande école des Hautes études Commerciales), Jouy-en-Josas (France), in 1991. Registered public accountant in Milan from 1996 and registered auditor from 1999. Full Professor of "Business economics" at the Department of Economic Law and Business Sciences at Milan's Bicocca University. Member of the Board of the Department of Economic Law and Business Sciences within the Faculty of Economics at Milan's Bicocca University, and of the Board of faculty for the research doctorate in "Business economics, Management and Territorial economics", as well as lecturer on "Financial statements and accounting standards" and "Strategic analysis and business valuations". Author of numerous publications, mainly on international accounting standards, business valuations and the valuation of individual assets.</p>	
Company	Posts held
Eni fuel centro sud S.p.A.	Chairman, Statutory Audit Committee
Raffineria di Gela S.p.A. SIDIS Investimenti S.p.A. PADIS Investimenti S.p.A. PASIDIS Investimenti S.p.A. Consorzio Obbligatorio degli Oli Usati	Auditor
Sofipa Equity Fund II, a closed-end fund	Member of the Supervisory Committee
LUIGI BISCOZZI	
<p>Born in Salice Salentino (Lecce) in 1934. Graduated in Economics and Commerce at Bocconi University in Milan; registered public accountant in Milan from 1966. Registered statutory auditor from 1972 and registered auditor from 1995. Milan Tax Partner at Peat Marwick & Mitchell (now KPMG), an auditing firm, from 1965 to 1976. Founding partner in 1976 of Studio Legale Tributario L. Biscozzi - A. Fantozzi, now Studio Legale e Tributario Biscozzi Nobili.</p>	
Company	Posts held
Costa Crociere S.p.A. Il Sole 24 Ore S.p.A. Nuova Sidap Srl	Chairman, BSS
Autogrill S.p.A. Chiara Vita S.p.A. Helvetia Vita S.p.A. Padana Assicurazioni S.p.A. Touring Servizi srl	Auditor

Annex 5 - Structure of the Board of Statutory Auditors of Indesit Company S.p.A.

Office	Members	Independence per Code	Attendance at BSS meetings	Attendance at Board meetings	No. of other appointments*	Auditor appointed from minority list
Chairman	Marco Reboa	X	100%	85.7%	4	X
Serving auditor	Andrea Amaduzzi	X	100%	85.7%	7	
Serving auditor	Luigi Biscozzi	X	90.9%	85.7%	8	
NOTES						
Number of meetings held during 2012: 11						
Quorum required for the presentation of lists by minorities for the election of one or more serving auditors (pursuant to art. 148, TUIF): 2%						
* This column indicates the number of directorships or audit posts held by the person concerned in companies that are relevant pursuant to art. 148 bis, TUIF.						

Annex 6: Report on the remuneration of executives with strategic responsibilities at Indesit Company S.p.A. prepared pursuant to art. 123-ter TUIF and art. 84-quater IR

1. Introduction

This Compensation Report, prepared by the CC and approved by the Board, pursuant to art. 123-ter TUIF and art. 84-quater IR:

- explains the Policy and procedures followed for the adoption and implementation of the Policy (Section I),
- provides an adequate and detailed presentation of the remuneration actually paid to the ESRs (Section II).

The Compensation Report, structured in accordance with the guidelines set out in art. 84-quater IR and with Annex 3A, Format 7-bis and Format 7-ter referred to therein, is attached to the Report on corporate governance and the ownership structure, which is published by the Company not more than twenty-one days prior to the Meeting called to approve the Financial Statements. The report is available on the Website.

Section I of the Compensation Report is presented to the Shareholders' Meeting for the purposes referred to in arts. 123-ter, TUIF, and 84-ter, IR, as well as pursuant a consequent to art. 13, para. 3.3 of the RPT Regulation and art. 6.1.f) of the RPT Procedure.

Words starting with a capital letter have the meanings attributed to them in the Glossary.

SECTION I: General policy for the remuneration of executives with strategic responsibilities at Indesit Company S.p.A.

1. Introduction

This document explains the general policy for remunerating the ESRs ("Policy") and the procedures followed for the adoption and implementation of the Policy.

The Policy is determined by the Board acting on a proposal from the CC, in line with the IR, the recommendations contained in art. 6 of the Code and the RPT Procedure.

2. Contents of the Policy

This Policy determines the principles and guidelines for the remuneration of:

- Board members;
- Serving members of the BSS;
- Other ESRs;
- RE;
- Chief Audit Executive.

The CC plays a central role in the process of defining this Policy, pursuant to paragraph 5 below; the Board approves this Policy, for presentation to the shareholders, pursuant to art. 123-ter TUIF, art. 84-quater IR and art. 6 of the Code.

When preparing the Policy, the CC obtains advice and support from Mario Consiglio who, in addition to being the secretary-coordinator of the HR&CC, has many decades of experience in the management of human resources.

3. General principles

The Policy seeks to ensure an adequate balance between the fixed and variable elements of the remuneration of ESRs, as well as to attract and retain resources able to pursue effectively the strategic objectives of the Group.

Within this framework, guidelines are defined for implementing remuneration plans and programs based on a number of payment elements that depend on the role and responsibilities assigned.

Considering the Group's strategic objectives and risk management policies, particular attention is given to ensuring a direct link between actual performance and the variable element of payments, distinguishing appropriately between the short and medium/long-term components. The fixed element of payments is, in any case, deemed sufficient to remunerate the performance of the Executive Directors and the Other ESRs, if the variable elements are paid due to failure to achieve the objectives approved by the Board.

Total remuneration is also established by reference to studies prepared by companies specialized in remuneration analysis, with a view to ensuring that the Group offers a competitive package aligned with market conditions.

4. Process for determining and approving the Policy

Pursuant to art. 2389 of the Italian Civil Code, the remuneration of all Board members is determined at the time of their appointment: in fact, the shareholders' meeting establishes the total remuneration payable to the Board (see point 6.1 herein).

The remuneration of directors with special duties is established, pursuant to art. 2389, para. 3, of the Italian Civil Code and the RPT Procedure, by the Board acting on a proposal from the CC, having consulted with the BSS. When expressing the opinion required by the above article, the statutory auditors also check that the proposals are consistent with the Policy and the RPT Procedure.

Without prejudice to the RPT Procedure, the remuneration of the Other ESRs is established by the CEO together with the Chairman, in compliance with the Policy.

With regard to the annual variable element of the remuneration of those ESRs entitled to it on the basis described above, on approving the annual consolidated financial statements and the annual budget and having consulted with the CC and the BSS (in this case, pursuant to art. 2389, para. 3, of the Italian Civil Code), the Board checks the percentage achievement of the annual objectives and, consequently, determines the amount of the incentive to be paid, while also establishing the objectives and incentive program for the new year.

The CC is responsible for correctly implementing the Policy.

Paragraph 6 of this document clearly describes how the remuneration of each ESR is determined.

The second part of the Report indicates:

- in detail, the emoluments received by the directors and statutory auditors;
- in total, the remuneration received by the Other ESRs.

5. Human Resources and Compensation Committee

The Board has established a HR&CC, comprising three non-executive directors, two of whom are independent.

From 29 April 2010, the HR&CC comprises:

- Mario Greco (Chairman of the HR&CC and independent Director)
- Maria Paola Merloni
- Paolo Monferino (independent Director).

As required by art. 6 of the Code and by the RPT Procedure, when the HR&CC decides on the remuneration of the ESRs, it meets as a CC with only the independent directors present, together with the Chairman of the BSS (who has no voting rights).

In particular, the CC performs the following tasks:

- presents proposals to the Board on the general policy for the remuneration of ESRs;
- periodically assesses the adequacy, overall consistency and effective application of the general policy adopted for the remuneration of ESRs and makes proposals to the Board in this regard;
- presents proposals to the Board (or expresses opinions to the Board) on the remuneration of the Executive Directors, as well as on the performance objectives to be established in relation to the variable element of the remuneration of the Other ESRs;
- monitors application of the decisions adopted by the Board, checking in particular that the established objectives are actually met;
- consistent with the rules contained in the RPT Procedure, expresses a reasoned opinion as part of the discussions and on all other types of transaction involving remuneration;
- presents proposals to the Board on the remuneration of the Honorary Chairman;

- prepares the Report.

If the remuneration is deemed to be significant pursuant to art. 3.1 of the RPT Procedure, the CC performs its functions together with a member of the RPT Committee appointed by the Board. If the remuneration relates to one or both of the independent members of the CC, the tasks of the CC to be performed in accordance with the RPT Procedure are performed by the RPT Committee.

At least once each year, on presentation of the Compensation Report, the Chief HR Officer reports to the CC on compliance with the Policy.

The complete HR&CC carries out the following additional tasks assigned by the Board:

- assesses the adequacy of the organization, the plans for management development and the systems of variable remuneration adopted for management during the annual Human Resources Review, and reports in this regard to the Board as support for its assessment of the organization as a whole;
- expresses opinions on and/or recommends organizational initiatives and management training to prepare the available human resources, taken as a whole, for the current and future requirements of the Company and the Group;
- identifies and recommends any organizational actions needed to improve the efficiency and effectiveness of the organization and obtain more direct knowledge of and benefit from the potential managerial resources available;
- expresses opinions on the code of ethics and rules of employment.

The HR&CC has an annual budget available (€ 50,000 for 2012 and 2013) to carry out its work, and refers to experienced and independent consultants for necessary information about the market standards for remuneration systems. Upon invitation from the HR&CC, meetings may be attended by executives and managers from operational areas within the Group, and by the Executive Directors, depending on needs related to the individual items on the agenda.

The HR&CC has its own rules that establish, *inter alia*, the frequency of meetings and the preparation of the related minutes: the rules also establish that the Executive Directors must never attend committee meetings held to formulate proposals to the Board concerning their remuneration, unless invited by the Chairman of the committee.

On approval of this document, the Board determined that at least one of the members of the HR&CC has adequate knowledge and experience on accounting and financial matters or on remuneration policies.

During 2012, the CC assessed the proposed changes to the medium/long-term retention plan for top managers, while the HR&CC analyzed implementation of the new organization of the product divisions. A total of four meetings were held.

The CC/HR&CC will hold at least 4 meetings during 2013, of which 2 were held prior to the approval of this Report.

6. General remuneration policy for ESRs

6.1 Remuneration envisaged for all members of the Board

Directors' remuneration is high enough to attract and motivate professionals with the qualities and capabilities needed to guide the Company and the Group successfully.

On appointing the Board, the Meeting fixed the total annual remuneration payable to the Board at € 920,000. In turn, the Board resolved to allocated this total amount as follows:

- each Director receives an attendance fees for participating at each Board meeting (€ 10,000);
- the Directors on the HR&CC and CRC receive additional annual remuneration of € 20,000, while the chairmen of those committees receive additional annual remuneration of € 25,000;
- the Directors on the RPT Committee receive additional annual remuneration of € 10,000, while its chairman receives additional annual remuneration of € 15,000;
- the non-executive Directors on the CRC receive additional annual remuneration of € 15,000.

The remuneration of non-executive directors is therefore geared specifically to the work requested from each of them, including their participation on committees, and is in no way tied to the financial results of the Company or the Group.

As required by law, the directors are entitled to reimbursement for the expenses incurred by them.

On approval of the Financial Statements, the mandate of the current Board will expire. The 2013 Meeting is therefore called upon to appoint a new Board and fix its annual remuneration pursuant to art. 2389 of the Italian Civil Code.

The outgoing Board has made a proposal to the shareholders with regard to such remuneration. This proposal is described in detail in the Reports to the meeting.

6.2 Remuneration criteria for the Executive Directors and the Other ESRs

In addition to the content of point 6.1 above, the Executive Directors are recognized additional remuneration based on their roles and related responsibilities, as envisaged in paragraph 4. Part of the remuneration of the Executive Directors also includes compensation linked to the achievement of economic results (bonus or variable incentive schemes, discussed later) that is sufficient to guarantee their interest in pursuing the creation of value for the shareholders, in both the short and medium/long terms. The parameters used for the CEO are identical to those used for the Other ESRs, consistent with his status at the top of the organizational structure.

The remuneration of the Chairman comprises the following elements:

- a fixed gross annual component, established at the time of appointment and adjusted over time in line with market developments;
- a variable annual component, payable on the achievement of pre-determined corporate objectives (MBO), consisting of a predetermined percentage of the fixed component earned in the reference year (the incentive payable on full achievement of the objectives is 50% of the fixed component: see paragraph 10 for further details).

The remuneration of the CEO comprises the following elements:

- a fixed gross annual component (known as RAL) that is established at the time of appointment based on the positioning selected with regard to the reference market (following the guidelines presented in paragraph 3) and the degree of responsibility and complexity managed;
- a variable annual component, payable on the achievement of pre-determined corporate objectives (MBO), consisting of a predetermined percentage of the fixed component earned in the reference

year (the incentive payable on full achievement of the objectives is 50% of the fixed remuneration: see paragraph 10 for further details);

- a variable medium/long-term component (known as L-TRI) that, on achievement of the objectives assigned for the three-year period concerned, recognizes an incentive based on the amounts paid annually under the MBO Plan, as discussed further in paragraph 11.

The mandates of the Chairman and the CEO also expire on expiry of the mandate of the entire Board, as mentioned in the preceding paragraph. On expiry of the mandate, the remuneration identified using the parameters indicated above will be paid out on a time-apportioned basis.

The new Board will be called up to fix the remuneration of those directors with special duties pursuant to art. 2389, para. 3, and the RPT Procedure, assessing the applicability to them of the short-term incentives (see paragraph 10), the medium/long-term objectives (see paragraph 11) and the Benefits (see paragraph 12), as well as the termination indemnity (see paragraph 9).

The remuneration of the Other ESRs comprises the following elements:

- a fixed gross annual component (known as RAL) that is based on the positioning selected with regard to the reference market (following the guidelines presented in paragraph 3), the degree of responsibility and complexity managed, and the professionalism and experience of the person concerned. This component of income is adjusted over time, consistent with market development, considering the skills acquired and, principally, the performance obtained;
- a variable annual component (MBO) and a variable medium/long-term component (known as L-TRI) with parameters identical to those envisaged for the CEO.

The Board will call on the 2013 Meeting - to the extent relevant, since already approved by the Board - to approve a new long-term incentive plan (known as the "IIP Plan") that will replace the L-TRI. Full details of the IIP Plan are described in the Reports to the Meeting which, as an attachment, contain the prospectus prepared pursuant to art. 114-bis TUIF and art. 84-bis, para. 1, of the IR ("Prospectus").

If the IIP Plan is approved at the 2013 Meeting, it may already be applied to the ESRs in 2013, after completion of the procedures indicated in paragraph 4.

If, on the other hand, the IIP Plan is not approved at the 2013 Meeting, all the amounts accumulated under the terminated L-TRI Plan will be paid to its beneficiaries.

The Chairman, the CEO and the Other ESRs also receive benefits in accordance with Group policies. More information about the variable elements of remuneration and the benefits are provided in paragraphs 10, 11 and 12 (respectively "MBO Plan", "L-TRI Plan" and "Benefits").

6.3 Remuneration of the members of the Board of Statutory Auditors

The remuneration of the members of the BSS is fixed at the shareholders' meeting, following proposal from the Board or from the shareholders, and comprises a fixed gross annual amount.

For the three-year period 2011-2013, the Meeting fixed the annual remuneration of the Chairman of the BSS at € 80,000, and that of the each of the two serving statutory auditors at € 60,000.

Pursuant to the shareholders' resolution, the members of the BSS are entitled to reimbursement for any documented expenses actually incurred.

6.4 Remuneration of the Executive responsible for preparing financial and corporate documentation (Responsible Executive - RE)

The remuneration of the RE is determined in a manner consistent with the duties assigned to him.

The basis for allocating and determining such remuneration is not any different to that relating to the remuneration of the Other ESRs, given that the RE is also the CFO and is therefore deemed to be a key executive for the achievement of the Group's objectives.

6.5 Remuneration of the Chief Audit Executive

The remuneration of the Chief Audit Executive is determined by the Board, consistent with the duties assigned to him, acting on a proposal from the Director responsible for the ICS and after consulting with the CRC and the BSS¹.

6.6 Directors & Officers Liability (D&O)

In line with standard practice, the Company has arranged "Directors & Officers Liability" insurance. This annual insurance cover is intended to protect Board members from monetary loss deriving from any obligations to pay third parties (including the Company) following claims for compensation presented to them for illegal acts committed in the exercise of their functions, as well as the Company should it have to pay an indemnity to an insured person following a claim for compensation received from third parties in relation to any illegal act covered by the insurance. The criminal sanctions and administrative penalties levied by the supervisory bodies pursuant to current regulations are not covered since, by law, they are uninsurable.

As described further in the Reports to the Meeting, the Board has proposed renewal of the D&O insurance policy to the 2013 Meeting, for the three-year period 2013-2015.

7. Stock option plans

The Company was among the first Italian listed companies to adopt stock option plans as a way to supplement the system of remunerating Directors with special duties, executives and managers via a tool that, by creating value over time, encourages them to remain with the Group over the medium/long term.

No further grants of options have been made since 2003. All plans relating to the Directors have already expired, while certain of the Other ESRs are still the beneficiaries of options granted to them.

The Financial Statements contain a table that shows clearly the changes in the plan over time, while Table 2 provides information cumulatively/by name about the options granted to the Other ESRs.

8. Policy for transfers

In the event of transfer, all the conditions envisaged in the national contract for executives apply to the CEO and the Other ESRs. In the event of specific corporate needs, improved conditions may be applied in compliance with the RPT Procedure.

9. Indemnity in the event of resignation, dismissal without just cause or termination of relationship following a takeover bid

¹ The variable annual component of the remuneration of the Chief Audit Executive depends on achievement of the individual objectives set by the CRC, with a trigger for access set on achievement of the minimum objectives established in the MBO Plan for management.

Given the indivisible link between his appointment as Director and his role within the management structure, on appointment of the CEO to the Board for the period 2010-2012, the Board - acting on a proposal from the CC - authorized the signature of a framework agreement under which the indemnity due to him, pursuant to art. 19, paras. 15 and 16, of the national contract for executives, would also apply in the event of his termination as an executive for good cause under the law, or in the event of his resignation within sixty days of one or more of the following events not caused by his unexpected inability to work:

- i. early termination (or removal without just cause) of his appointment as a Director and/or CEO not followed within 40 days of termination/removal by a subsequent appointment to the same positions on the same conditions (remuneration, duration and scope of powers);
- ii. significant reduction in the powers and mandates currently granted to the CEO, with a substantial effect on the position and the role or making it impossible for him to exercise, with sufficiently full powers, the powers and mandates granted to him.

In such cases, the supplementary indemnity is fixed at an amount not lower than the maximum recognized by the national contract for executives at the time of signing the framework agreement. This indemnity, together with the termination indemnity and any indemnity in lieu of notice (envisaged in the national contract for executives), will be determined with reference to the sum of the following elements: fixed remuneration, value of benefits, average of MBO amounts received in the previous three years, average of amounts received in the previous three years - or period of less than three years, if the period of earning the right to payment of such monetary amounts is shorter - from participation in the L-TRI Plan.

The framework agreement signed does not envisage:

- agreements for the allocation or maintenance of non-cash benefits following termination of the relationship with the Company;
- the signature of consultancy contracts for the period subsequent to the termination of the working relationship;
- no-competition agreements and the related remuneration;
- indemnities consequent to takeover bids.

Without prejudice to the RPT Procedure, any agreements for the early termination of the working relationship with Other ESRs are established by the CEO together with the Chairman.

10. Short-term incentives: annual incentive plan (MBO Plan)

The MBO Plan is a variable component of total gross annual Remuneration, payable on the achievement of pre-determined short-term corporate objectives. Each objective is linked to a scale of incentives that establish the bonus paid in relation to the value of reaching the objective. The Plan envisages minimums, below which the Company will not make incentive payments, and maximums beyond which the Company will always pay the maximum percentage decided.

The objectives set in the Plan for the Executive Directors and the other ESRs are always linked to economic-financial parameters (for 2013, as for 2012, the CC identified EBIT and Free Cash-Flow), using specific, objectively measurable and determinable criteria, have regard for the time period concerned². The

² Acting on a proposal from the CC, the Board may determine the percentage achievement of the corporate objectives having regard for the influence of positive or adverse non-operational/non-recurring factors.

numerical amounts set as an objective are established with reference to the budget approved by the Board for the year covered by the incentive, on the basis indicated above in para. 4.

This Plan for management governs the payment of an amount calculated as a pre-determined percentage of the remuneration earned in the year concerned. This percentage varies depending on the position held within the Group, the ability to influence results and the reference market³. The incentive obtainable by the Chairman, the CEO and the other ESRs, on achievement of the pre-determined objectives, is 50% of the RAL and, in the event of achieving objectives greater than those envisaged, cannot exceed 75% of the RAL.

11. Medium/long-term incentives: the L-TRI Plan

Commencing from 2009, a select number of managers (including the CEO and the Other ESRs) have participated in the L-TRI Plan.

The objective of this long-term retention plan, based on the accumulation of an amount equal to the MBO bonus paid each year⁴, was to retain within the Group the skills accumulated over the years by key managers while, at the same time, promoting improved economic and managerial results over the long term.

By not envisaging any payments during the initial vesting period of three year, the Group ensured that a significant portion of the variable element of remuneration would be deferred for an appropriate length of time with respect to the period in which it was earned, consistent with the nature of the activities of the business and the related risks that are faced.

Following approval of the consolidated financial statements for the year corresponding to the third year of participation in the plan by each beneficiary, one third of the accumulated amount was paid in the form of a bonus; the remaining two-thirds not paid were set aside in the name of the beneficiary; in each subsequent year of the plan, an amount normally equal to that actually received by each beneficiary in the form of an MBO bonus for that year was added to the amount set aside⁵: the sum of these amounts is used to calculate and pay the incentive for the following year, and so on until the end or termination of the plan. Assuming achievement of the objectives identified for each year of the three-year period, the medium/long-term element of the variable component of total Remuneration has had the same weighting as the short-term element⁶.

The 2013 Meeting will be called upon - to the extent relevant, since already approved by the Board - to approve the IIP Plan that will replace the L-TRI. The details of the IIP Plan are described better in the Prospectus.

If the IIP Plan is approved at the 2013 Meeting as well, to the extent relevant to the shareholders, it may already be applied in 2013 to the beneficiaries who will be identified in accordance with the governance procedures indicated in the Prospectus and, with regard to the ESRs, in paragraph 4 above.

³ The MBO Plan is governed by a regulation covering the entire Group. This regulation establishes, inter alia, the methods for establishing, calculating and paying the incentive.

⁴ For the CEO and a limited number of managers, this amount is double the amount of the MBO bonus paid, consistent with the text of the regulation covering the entire Group. This regulation establishes, inter alia, the methods for establishing, calculating and paying the incentive relating to the L-TRI Plan.

⁵ See previous note.

⁶ Assuming that the long-term incentive is calculated with reference to the MBO bonus paid; in the situation envisaged in note 4) above, the weighting of the medium/long-term incentive, on achievement of the objectives, would be 2/3rds of the entire variable component of total gross annual Remuneration.

If, on the other hand, the IIP Plan is not approved at the 2013 Meeting, all the residual amounts accumulated under the L-TRI Plan will be paid to its beneficiaries, since that plan will be deemed to have terminated.

12. Benefits

Certain non-cash benefits are recognized in order to ensure that overall Remuneration is competitive and aligned with best market practices.

The Chairman benefits from: an insurance policy covering work-related and non-work related accidents and a health policy. Other, status-related benefits typical of the role are also recognized.

The CEO and the Other ESRs are entitled to improved benefits with respect to the national contract for executives, including: an insurance policy covering work-related and non-work-related accidents; a permanent invalidity policy; a policy covering death in accordance with the national contract for executives and another exceeding the benefits envisaged under the first policy; a health policy. They are also recognized other benefits, typical of their roles, designed to highlight the status of the persons concerned.

13. Comparison of the General remuneration policy for ESRs with the prior year

The general remuneration policy for ESRs for 2013 described herein differs with respect to that for 2012, solely in relation to the medium/long-term incentive plan described further in paragraph 11.

SECTION II

FIRST PART

The elements comprising the remuneration of each ESR are described in detail in the first section of this Compensation Report. They are consistent with those described in Section I of the Report on the remuneration of executives with strategic responsibilities at Indesit Company S.p.A. prepared pursuant to art. 123-ter TUIF and art. 84-quater IR and approved at the shareholders' meeting held on 4 May 2012.

With regard to the Second Part of this Section, on 1 January 2012, the number of Other ESRs was increased from 5 to 7. At 31 December 2011 the Other ESRs comprised: the Chief Financial Officer, the Chief Supply Chain & IT Officer, the Chief Commercial Officer, the Chief Marketing Officer, the Chief Technical Officer.

SECOND PART

Table 1: REMUNERATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	Office	Period in office	Expiry of mandate	Fixed remuneration (€)	Remuneration for committee work (€)	Non-equity variable remuneration (€)		Non-cash benefits (€)	Other remuneration	Total (€)	Fair value of equity remuneration	Termination or leaving indemnity
						Bonus and other incentives	Profit participation					
Andrea Merloni	Chairman of the Board*****	1/1/12-31/12/12	App. f.s. 2012	869,545	0	316,000	0	26,287	0	1,211,832	0	0
Marco Milani	Chief Executive Officer*****	1/1/12-31/12/12	App. f.s. 2012	1,560,089	0	1,407,166	0	37,287	0	3,004,542	0	0
Valerio Battista	Director *	1/1/12-31/12/12	App. f.s. 2012	59,545	10,000	0	0	0	0	69,545	0	0
Francesco Caio	Director**	1/1/12-31/12/12	App. f.s. 2012	59,545	35,000	0	0	0	0	94,545	0	0
Innocenzo Cipolletta	Director***	1/1/12-31/12/12	App. f.s. 2012	69,545	25,000	0	0	0	0	94,545	0	0
Paolo De Cesare	Director *	1/1/12-31/12/12	App. f.s. 2012	69,545	10,000	0	0	0	0	79,545	0	0
Mario Greco	Director ****	1/1/12-31/12/12	App. f.s. 2012	59,545	25,000	0	0	0	0	84,545	0	0
Antonella Merloni	Director *****	1/1/12-31/12/12	App. f.s. 2012	69,545	20,000	0	0	0	0	89,545	0	0
Aristide Merloni	Director	1/1/12-31/12/12	App. f.s. 2012	69,545	0	0	0	0	0	69,545	0	0
Maria Paola Merloni	Director *****	1/1/12-31/12/12	App. f.s. 2012	59,545	20,000	0	0	0	0	79,545	0	0
Paolo Monferino	Director*****	1/1/12-31/12/12	App. f.s. 2012	69,545	50,000	0	0	0	0	119,545	0	0
Andrea Amaduzzi	Serving Auditor	1/1/12-31/12/12	App. f.s. 2013	60,000	0	0	0	0	0	60,000	0	0
Luigi Biscozzi	Serving Auditor	1/1/12-31/12/12	App. f.s. 2013	60,000	0	0	0	0	0	60,000	0	0
Marco Reboa	Chairman, BSS	1/1/12-31/12/12	App. f.s. 2013	80,000	0	0	0	0	0	80,000	0	0
Other ESRs		1/1/12-31/12/12	Permanent	2,699,469	0	2,873,063	0	38,000	0	5,610,531	0	0
TOTAL				5,915,012	195,000	4,596,229	0	101,547	0	10,807,815	0	0

* with reference to Column (2) Remuneration relates to participation on the RPT Committee

** with reference to Column (2) Remuneration relates to participation on the CRC, €20,000, and the SDC, €15,000

*** with reference to Column (2) Remuneration relates to participation as Chairman of the CRC

**** with reference to Column (2) Remuneration relates to participation as Chairman of the HR&CC

***** with reference to Column (2) Remuneration relates to participation on the CRC

***** with reference to Column (2) Remuneration relates to participation on the HR&CC

***** with reference to Column (2) Remuneration relates to participation on the HR&CC, € 20,000, on the SDC, € 15,000, and as Chairman of the RPT Committee, € 15,000

***** with reference to the Chairman, Column (1) includes his remuneration as an Executive Director, as well as gross remuneration of € 69,545.45 as a Director

***** with reference to the CEO, Column (1) includes his remuneration as an employee, the indemnity for change of place of work pursuant to the national contract for executives, and gross remuneration of € 69,545.45 as a Director. In Column (3), the Bonus and Other Incentives recognized as an Executive Director amount to € 451,481 gross

Table 2: STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(A)	(B)	(1)	Options held at 31/12/2011			Options granted during 2012						Options exercised during 2012			Options that expired in 2012	Options held at 31/12/2012	
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)=(2)+(5)-(11)-(14)	(16) (€)
Name and Surname	Position held	Plan	Number of options	Exercise price	Exercise period (from-to)	Number of options	Exercise price	Exercise period (from-to)	Fair value at grant date	Grant date	Market price of underlying shares at exercise date	Number of options	Exercise price	Market price of underlying shares at exercise date	Number of options	Number of options	Fair value
Other ESRs		Stock option plan relating to the ordinary shares of Indesit Company S.p.A. reserved for executives and managers of the Group, as described in para. 7 of the first section	30,000	7.9258	from 1/1 to 31/12	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	30.0000	0	0
			37,500	12.6479	from 1/1 to 31/12	0	n/a	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	0	37,500
TOTAL			67,500			0						0			30,000	37,500	107,396

* 4 of the Other ESRs hold options.

Table 3 - CASH INCENTIVE PLANS IN FAVOR OF DIRECTORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

A	B	(1)	(2)			(3)			(4)
Name and Surname	Office	Plan	Annual bonus			Prior-year bonuses			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
Andrea Merloni	Chairman of the Board	Remuneration from the company preparing the financial statements	MBO Plan	316,000					
Marco Milani	Chief Executive Officer	Remuneration from the company preparing the financial statements	MBO Plan	418,700					
			L-TRI Plan	279,133	558,267	Average deferral of 3 years	709,333	1,418,665	
Other ESRs		Remuneration from the company preparing the financial statements	MBO Plan	869,000					
			L-TRI Plan	546,417	1,092,833	Average deferral of 3 years	1,457,647	2,915,293	
TOTAL				2,429,250	1,651,100		2,166,979	4,333,958	

Table 4: EQUITY INTERESTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

Name and Surname	Office	Company held	Type of ownership	No. shares held at 31/12/2011	No. shares purchased	No. shares sold	No. shares held at 31/12/2012
Andrea Merloni	Chairman	Indesit Company SpA - ordinary shares	indirectly via Alpha 67 Srl, Sole quotaholder company	265,840	0	0	265,840
Marco Milani	CEO and General Manager	Indesit Company SpA - ordinary shares	direct	100,000	0	0	100,000
Antonella Merloni	Director	Indesit Company SpA - ordinary shares	direct	276,030	0	0	276,030
Aristide Merloni	Director	Indesit Company SpA - ordinary shares	direct	275,840	0	0	275,840
Maria Paola Merloni	Director	Indesit Company SpA - ordinary shares	direct	242,900	0	0	242,900

EQUITY INTERESTS OF THE OTHER ESRs

No. Executives with strategic responsibilities	Company held	Type of ownership	No. shares held at 31/12/2011	No. shares purchased	No. shares sold	No. shares held at 31/12/2012
Other ESRs	n/a	n/a	0	0	0	0

