



DE' LONGHI S.p.A.

CORPORATE GOVERNANCE CODE

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This version is the one approved by the Board of Directors of De'Longhi S.p.A. on March 4th, 2003, which integrated its Corporate Governance Code according to the amendments made by the Committee for the Corporate Governance of Listed Companies in July 2002 to the Corporate Governance Code.

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CORPORATE GOVERNANCE CODE

1. Role of the board of directors

- 1.1. The company is governed by a board of directors that meets at regular intervals and that adopts an organisation and a modus operandi enabling it to guarantee effective and efficient performance of its functions.
- 1.2. The board of directors shall:
 - a) examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it may head;
 - b) delegate powers to the managing directors and to the executive committee and revoke them; it shall specify the limits to such delegated powers, the manner of exercising them and the frequency, as a general rule not less than once every three months, with which such bodies must report to the board on the activity performed in the exercise of the powers delegated to them;
 - c) determine, after examining the proposal of the special committee and consulting the board of auditors, the remuneration of the managing directors and of those directors who are appointed to particular positions within the company and, where the shareholders' meeting has not already done so, allocate the total amount to which the members of the board and of the executive committee are entitled;
 - d) supervise the general performance of the company, with special reference to situations of conflict of interest, paying particular attention to the information received from the executive committee (where established), the managing directors and the internal control committee and periodically comparing the results achieved with those planned;
 - e) examine and approve transactions having a significant impact on the company's profitability, assets and liabilities or financial position, with special reference to transactions involving related parties;
 - f) check the adequacy of the general organisational and administrative structure established by the managing directors for the company and the group;
 - g) report to the shareholders' meetings.
- 1.3. Directors shall act and decide autonomously, having full knowledge of the facts, and pursue the objective of creating value for the shareholders. Directors shall accept their appointment to the board when they deem they can devote the necessary time to the diligent performance of their duties, taking account, among other things, of the number of positions they hold on the boards of directors or auditors of the companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies.
- 1.4. Directors are required to know the duties and responsibilities associated with their function. Managing directors shall take steps to keep the board informed of the main statutory and regulatory innovations concerning the company and the governing bodies.

2. Composition of the board of directors

- 2.1. The board of directors shall be made up of executive directors (i. e. the managing directors, including the chairman where he or she has delegated powers, and those directors who perform management functions within the company) and non-executive directors. The number and standing of the non-executive directors. The number and standing of the non-executive directors shall be such that their views can carry significant weight in taking board decisions.
- 2.2. Non-executive directors shall bring their specific expertise to board discussions and contribute to the taking of decisions that are consistent with the shareholders' interest.

3. Independent directors

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

4. The chairman of the board of directors

- 4.1 The chairman shall call the meetings of the board and shall take steps to ensure that the members of the board are provided reasonably in advance of the date of the meeting (except in case of necessity and as a matter of urgency) with the documentation and information needed for the board to express an informed view on the matters it is required to examine and approve.
- 4.2. The chairman shall co-ordinate the activities of the board of directors and moderate its meetings.
- 4.3. Where, in order to promote the effective and efficient management of the company, the board has delegated powers to the chairman, it shall disclose adequate information in its annual report on the powers delegated following that organisational choice.

5. Information to be provided to the board of directors

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

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

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

6. Confidential information

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

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

7. Appointment of directors

7.1. Proposals for appointments to the position of director, accompanied by detailed information on the personal traits and professional qualifications of the candidates with an indication where appropriate of their eligibility to qualify as independent directors as defined in Article 3, shall be deposited at the company's registered office at least 10 days before the date fixed for the shareholders' meeting or at the time the election lists, if provided for, are deposited.

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

8. Remuneration of Directors

8.1. The board of directors shall form a committee on remuneration and stock option or equity based remuneration plans. The committee, the majority of whose members shall be non-executive directors, shall submit proposals to the board, in the absence of the persons directly concerned, for the remuneration of the managing directors and of those directors who are appointed to particular positions and, acting on a proposal from the managing directors, for the criteria to be used in determining the remuneration of the company's top management. To this end the committee may employ external consultants at the company's expense.

8.2. As a general rule, in determining the total remuneration payable to the managing directors, the board of directors shall provide for a part to be linked to the company's

profitability and, possibly, to the achievement of specific objectives laid down in advance by the board of directors itself.

9. Internal control

- 9.1. The internal control system is the set of processes serving to monitor the efficiency of the company's operations, the reliability of financial information, compliance with laws and regulations, and the safeguarding of the company's assets.
- 9.2. The board of directors is responsible for the internal control system; it shall lay down the guidelines for the system, periodically check that it is adequate and working properly, and verify that the main risks facing the company are identified and managed appropriately.
- 9.3. The managing directors shall identify the main risks the company is exposed to and submit them to the board of directors for its examination; they shall implement the guidelines laid down by the board of directors for the planning, operation and monitoring of the internal control system and shall appoint one or more persons to run it and provide them with appropriate resources.
- 9.4. The persons appointed to run the internal control system shall not be placed hierarchically under a person responsible for operations and shall report on their activity to the managing directors and to the internal control committee (provided for in Article 10 below) and the members of the board of auditors.

10. Internal control committee

- 10.1. The board of directors shall establish an internal control committee, charged with the task of giving advice and making proposals and made up of non-executive directors, of which the majority shall be independent. The chairman of the board of auditors or another auditor appointed by the same shall participate in the committee's meetings.
- 10.2. In particular the internal control committee shall:
 - a) assist the board in performing the tasks referred to in Article 9.2;
 - b) assess the work programme prepared by the persons responsible for internal control and receive their periodic reports;
 - c) assess, together with the heads of administration and the external auditors, the appropriateness of the accounting standards adopted and, in the case of groups, their uniformity with a view to the preparation of the consolidated accounts;
 - d) assess the proposals put forward by auditing firms to obtain the audit engagement, the work programme for carrying out the audit and the results thereof as set out in the auditors' report and their letter of suggestions;
 - e) report to the board of directors on its activity and the adequacy of the internal control system at least once every six months, at the time the annual and semi-annual accounts are approved;
 - f) perform the other duties entrusted to it by the board of directors, particularly as regards relations with the auditing firm.

11. Transactions with related parties

- 11.1. Transactions with related parties shall comply with criteria of substantial and procedural fairness.
- 11.2. Directors who have an interest, even if only potential or indirect, in a transaction with related parties shall:
 - a) promptly inform the board in detail of the existence of the interest and of the related circumstances;
 - b) abandon the board meeting when the issue is discussed.
- 11.3. Where the nature, value or other aspects of a transaction with related parties make this necessary, the board, in order to avoid different conditions being agreed from those that would presumably have been agreed between unrelated parties, shall ensure that the transaction is concluded with the assistance of independent experts for the valuation of the assets and for the provision of financial, legal or technical advice.

12. Relations with institutional investors and other shareholders

The chairman of the board of directors and the managing directors shall, while complying with the procedure for the disclosure of documents and information concerning the company, actively endeavour to develop a dialogue with shareholders and institutional investors based on recognition of their reciprocal roles. They shall designate a person or, where appropriate, create a corporate structure to be responsible for this function.

13. Shareholders' meetings

- 1.1. The directors shall encourage and facilitate the broadest possible participation of shareholders in shareholders' meetings.
- 1.2. As a general rule, all the directors shall attend shareholders' meetings.
- 1.3. Shareholders' meetings shall also be an opportunity to provide shareholders with information on the company, while complying with the procedure concerning price-sensitive information.
- 1.4. The board of directors shall propose for the shareholders' approval a set of rules to ensure the orderly and effective conduct of the company's ordinary and extraordinary shareholders' meetings, while guaranteeing the right of each shareholder to speak on the matters on the agenda.
- 1.5. In the event of a significant change in the market value of the company, the composition and/or the number of shareholders, the directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the bylaws as regards the majorities required for the approval of resolutions to adopt the measures and exercise the rights provided for to protect minority interests.

14. Members of the board of auditors

- 14.1. Proposals to be submitted to the shareholders' meeting for appointments to the position of auditor, accompanied by detailed information on the personal traits and professional qualifications of the candidates, shall be deposited at the company's registered office at

least 10 days before the date fixed for the shareholders' meeting or at the time the related lists are deposited.

- 14.2. The members of the board of auditors shall act autonomously with respect to shareholders, including those that elected them.
- 14.3. The members of the board of auditors are required to treat the documents and information they acquire in the performance of their duties as confidential and to comply with the procedure for the disclosure to third parties of such documents and information.