



CORPORATE GOVERNANCE

2007 ANNUAL REPORT OF 20/03/2008



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1. INTRODUCTION

The present Report, approved by the board on 20/03/2008, is intended to provide comprehensive information and be a complete guide to the Corporate Governance model adopted by Biesse S.p.A. (hereinafter “**Biesse**” or the “**Company**”) at the date of publication. It will, in particular, demonstrate that the Corporate Governance system of Biesse substantially conforms to the principles laid out in the version of the “Self-regulatory Code for Quoted Companies” as adopted by Borsa Italiana in March 2006 (hereinafter the “**Code**”).

Consequently, the present Report is subdivided into four sections:

1. the first section is dedicated to a brief description of Biesse’s Corporate Governance system, its objectives and general principles (policy), as well as the organisation and systems of management and responsibility adopted by the Company and by its managers;
2. the second section relates to the ownership structure
3. the third section is dedicated to a comparison of the specific rules adopted by Biesse and the provisions of the Code. This second part will permit an analytical verification of the effective level of conformity to the provisions of the code which represents Italian best practice and will provide reasons which justify non-adoption of articles of the code, where differences arise, in accordance with the so-called “comply or explain” regulation;
4. the fourth section contains appendices and tables.

2. SECTION ONE

2.1 CORPORATE GOVERNANCE SYSTEM OF THE COMPANY

2.1.1 General principles

As mentioned above, the Biesse corporate governance system conforms to the principles contained in the Code in the conviction that these contribute in a significant way to the realisation of the key objectives of company policy as regards governance such as:

- To define clearly the roles, responsibility and the parameters of significance of company activity;
- To augment the protection and foster the confidence of the company's stakeholders;
- To maximize the company's value for shareholders and other stakeholders;
- To improve the transparency of financial communication to the market;
- To improve the transparency and correctness of transactions carried out by related parties and relevant counterparties and as regards infra group relationships;
- To improve internal control systems.

The fundamental documents of Biesse's corporate governance are:

- Articles of Association;
- Rules governing shareholders' meetings;
- Internal Dealing code;
- Rules relating to market abuse;
- Organisational model including the Code of Ethics in accordance with Decree Law no. 231 of 8 June 2001;
- The ICFR (Internal Control over Financial Reporting) Model, Law no. 262 of 28 December 2005.

In order to assist in the widest possible awareness on the part of the market of the governance model adopted by the Company, the documents mentioned above (with the exception of the ICFR model) are available on-line (in Italian and English) on the group's website www.biessegroup.com (hereinafter the "site").



2.1.2 New initiatives and developments in 2008

In 2007 Biesse S.p.A. effectively adopted the Organisational Model of Decree Law 231/01 and the related operational procedures in support of this model. In 2008, in order to perfect its own system of Governance, also as a group, it will concentrate on the application and compliance of the organizational systems of its own Italian subsidiaries to the provisions laid out in the aforementioned Legislative Decree while also taking into consideration recent jurisprudence and the most prudent practice which have extended the regulatory application of administrative responsibility of judicial persons to groups of companies.

In addition, in order to complete the compliance procedure relating to Law no. 262 of 28 December 2005 (Law on Savings) and subsequent amendments (hereinafter also "Project 262") in 2008: (i) the Board of Directors will approve the Regulation governing managers responsible for the preparation of company accounting records the purpose of which is to provide and formalize internally the rights and duties of the same; (ii) will continue to apply and control the ICFR Model at Italian and non-Italian subsidiaries.

2.1.3 Organisation of the Company and management systems

The model of administration and control adopted by the Company is the traditional type which provides for the existence of a Board of Directors, a Board of Statutory Auditors and an external auditor.

The board has constituted a Directors Remuneration Committee and an Internal Control Committee, the functions and responsibilities of which are subject to the implementation of this report.



3. SECTION TWO

3.1 CAPITAL AND OWNERSHIP STRUCTURE

3.1.1 Share capital structure and equity characteristics

There follows a recapitulation of the capital structure of Biesse.

The share capital, at 20/03/2008, is equal to euro 27,393,042 fully paid up and composed of ordinary shares each of euro 1 nominal value, issued in accordance with the principle of dematerialization. Each ordinary share carries a right to vote in ordinary and extraordinary shareholders' meetings of the company in accordance with the laws and statutes and attribute further administrative and equity rights as provided by the law regarding shares with voting rights.

The Board of Directors received no authorisation from the shareholders' meeting to buy back the company's own shares during 2007. Following the end of the financial period, on 21 January 2008, the shareholders' meeting approved a Buy Back programme covering 2,739,304 ordinary shares in Biesse, corresponding to 10% of the ordinary share capital. The Buy Back authorisation allows the company to purchase shares up to the maximum number for a period of up to 18 months beginning 22 January 2008. The terms of the plan will be detailed in the Corporate Governance Report for next year.

3.1.2 Significant shareholdings¹

At 20 March 2008 shareholders more than 2% of the issued share capital, represented by shares with voting rights, according to register of shareholders and other communications received or other information available to the company are the following:

Bi.Fin S.r.l.	58.464%
Sia Funds AG	5,678%
Financiere de l'Echiquier (F)SA	4,848%

3.1.3 Controlling shareholder and management and direction

The company is controlled by BI.FIN srl, which in turn is not controlled, according to the terms of clause 93 of Decree Law 58/1998, by any judicial

¹ Source : Consob



person. The controlling shareholder of BI.FiN srl does not exercise any activity of management or co-ordination with respect to Biesse.

In accordance with article 2497-bis of the Civil Code, Italian companies directly controlled by Biesse S.p.A. have, almost entirely, declared the latter as the entity which exercises direction and management over them.

3.1.4 Shareholder Pacts

As far as the Company is aware there are no shareholder pacts amongst its shareholders.



4. SECTION THREE

4.1 INFORMATION REGARDING THE APPLICATION OF THE SELF-REGULATORY CODE

4.1.1 Board of Directors

4.1.1.1 Role and composition of the board

The Board of Directors is the central body in the Company's system of corporate governance. It has the responsibility to define, apply and update the rules of corporate governance, in compliance with prevailing legislation, as well as determining the strategic guidelines and senior direction of the Company and the Group (by which is meant Biesse and the companies it controls according to the definition provided by article 2359 of the Civil Code).

The Directors operate and function in pursuit of the primary objective of value creation for shareholders, taking into account also the directives and policies defined for the group, as well as the benefits deriving from belonging to the group itself.

In accordance with article 16 of the Company's Articles of Association, the Board may be composed of a variable number of directors, from a minimum of two to a maximum of fifteen members, even including non-shareholders, as determined by the shareholders' meeting. The current Board, following the approval of the shareholders' meeting of 14 December 2006, is composed of seven members whose mandate expires with the shareholders' meeting to approve the financial statements to December 2008.

There are four executive directors on the Board:

- Roberto Selci, Chairman and Managing Director
- Giancarlo Selci, Managing Director²
- Alessandra Parpajola, Director
- Stefano Porcellini, Director

The board includes three non-executive, independent directors in accordance with the Code:

- Leone Sibani
- Giampaolo Garattoni

² With authority for strategic and co-ordination direction of the Group and with express exclusion from each and every power of legal representation and active administration.



- Salvatore Giordano

The directors listed above are classified as independent, according to the definition given in the Code, because:

- a) they do not control the issuer, either directly or indirectly or through controlled companies, trustees or through third parties. Nor are they capable of exercising significant influence on the issuer nor do they participate in any shareholder pact through which one or more entities may exercise control or a significant influence on the issuer;
- b) they are not, nor have they been in any of the past three financial periods, senior representatives of the issuer, nor of any of its subsidiaries of strategic significance nor of any company subject to joint control with the issuer, nor of any entity that either independently or in association with others through a shareholder pact, controls the issuer or is in a position to exercise significant influence over the issuer.
- c) they do not have, nor have they had in the previous financial period, directly or indirectly, a significant commercial, financial or professional relationship:
 - with the issuer, any of its subsidiaries, or with any of its senior representatives;
 - with any person whom, even in association with others through a shareholder pact controls the issuer, or - in the case of companies or entities - with senior representatives; nor have they been in any of the three preceding financial periods employees of any of the previously mentioned entities;
- d) they do not receive, nor have they received in any of the three preceding financial periods, from the issuer or any of its subsidiaries or parent companies, any significant additional remuneration in respect of the emoluments "fixed" for non-executive directors of the issuer, which includes participation in the incentive plan relating to company performance, including stock option performance incentive plans;
- e) they have not been directors of the issuer for more than nine of the previous ten years;
- f) they do not occupy the role of executive director in any other company in which an executive director of the issuer occupies a position as director;



- g) they are neither shareholders or directors of a company or entity belonging to the network of companies in charge of the external audit of the issuer;
- h) they are not closely related to any person who belongs to any of the previous categories.

The requirement for independence of the directors, in accordance with the provisions of the Code, is periodically evaluated by the Board of Directors and the Board of Statutory Auditors.

During the 2007 financial year the Independent Directors have not held separate meetings in which, being also members of the Internal Control Committee, during the meetings of the same they have sought to exchange opinions on sundry topics of different interests.

4.1.1.2 Lead Independent director

The Board has taken into consideration the fact that international best practice recommends avoiding any concentration of responsibility in any single person without adequate safeguards or counterbalances. It has established that, in the case of Biesse (where the Chairman of the Board of Directors is also Managing Director) such concentration corresponds to organizational necessity. However, in order to comply fully with the Principles of the Code, it has created the position of Lead Independent Director and has appointed the independent director Mr. Leone Silbani to occupy this position. The non-executive directors report to the Lead Independent Director in order to improve their contribution to the activity and operation of the Board.

The Lead Independent Director's function is to:

- Co-operate with the Chairman in order to guarantee complete and timely dissemination of information to the directors;
- To call, independently or at the request of other directors, special meetings of the independent directors to discuss subjects considered to be relevant to the functioning of the Board of Directors or to the management of the Company.

During the 2007 financial year the Lead Independent Director called:

- meetings of the Internal Control Committee;
- the meeting of the Remuneration Committee

4.1.1.3 Powers of the Board of Directors



The Board of Directors is invested with all ordinary and extraordinary administrative powers, with the authority to implement all actions it considers necessary and opportune to achieve its corporate objectives, with the exception of those actions which are reserved by right for the Shareholders' Meeting.

The Board is assigned the responsibility of strategic-organisational direction, as well as the verification of the existence of the controls necessary to monitor the progress of the Company and the Group.

The Board is in particular required to:

- supervise the general progress of the management, with particular attention to situations involving conflicts of interest taking into consideration information received from the executive directors and the Internal Control Committee and, in general, periodically comparing results achieved with expectations and forecasts;
- examine and approve the budget and strategic, industrial and financial plans of the Company and the Group;
- value and approve the financial reports required by laws in force;
- examine and approve operations which are expected to have a significant impact on the economic, capital and financial situation of the Company and the Group;
- verify the adequacy of the organisational, administrative and financial reporting structure of the Company and the Group;
- report to the Shareholders in shareholder meetings;
- determine, through the mandate given to Independent Directors, the proposals to put to the Shareholders' Meeting and the Board regarding the remuneration to be awarded to members of the Board of Directors;
- nominate, and establish the remuneration of, one or more Managing Directors, who will implement decisions approved by the Board and on the Board's authority, who will manage continuing business, propose transactions and exercise any other power attributed to them on an ongoing basis or as may be from time to time authorised by the board;
- attribute and revoke mandates given to the executive directors, to the executive committee and, if need be to one or more directors with respect to particular duties;
- report to the Board of Statutory Auditors on operations carried out and on transactions of major significance to the economic, financial and capital situation of the company carried out by the Company and its subsidiaries. In



particular it is required to report on operations which may result in potential conflicts of interest. As a rule these reports are required to be made when board meetings take place or at least quarterly.

The regulations dictate that the board meets six times each year, to approve the financial statements, whenever requested according to the requirements of membership of the Star segment of the Automated Quotations Equity Market of Borsa Italiana (Mercato Telematico Azionario di Borsa Italiana).

When the Board meets, directors are provided, as far in advance as is reasonable, with all of the documentation and information necessary to the Board to express an opinion on the matters to be discussed.

4.1.1.4 The authorised Chairman and Director

The Board of Directors meeting on 5 May 2003 approved that the Chairman and Board of Directors be granted all of the powers of ordinary administration, specifying that ordinary administration also includes banking relationships and any power relating to the signing of tax declarations of any kind, to the treatment of employees, to the purchase and sale of vehicles and ancillary assets entered in public registers, to the subscription of and trading in tradable securities issued under the terms of Law no.1329 of 28 November 1965 (the so-called Sabatini Law), to the signing of leasing contracts. In addition, the Chairman is the legal representative of the Company.

Following the approval granted 12 November 2003, the Managing Director, Giancarlo Selci, has been granted solely the authority for the definition of group strategy as well as the general co-ordination of the group, with the express exclusion of each and any power of legal representation or active administration.

The approval of 15 May 2006 granted director Alessandra Parpajola the relevant authority: to manage credit risk, to appoint and dismiss the company's legal advisors, to represent the company in legal proceedings, with full authority to settle or terminate legal action, to underwrite transactions, allow debt payment postponement or deferral, sign correspondence, sign and circulate bank cheques, arrange bank transfers, sign income tax returns and VAT returns, sign tax appeals, employ and dismiss personnel, settle employment disputes, apply disciplinary sanctions and carry out all the activities required by this division of the business.

The approval of 14 December 2006 granted Stefano Porcellini the relevant authority: for the administrative supervision, control and co-ordination of subsidiary and associate companies and those in which the group has significant shareholdings, the supervision, control and co-ordination of the preparation of the Financial Statements of Group companies and of the Consolidated Financial



Statements for the financial years 2006, 2007 and 2008 with the authority to nominate advisors and experts, the supervision, control and co-ordination of extraordinary transactions, with particular reference to the acquisition of shareholdings, to represent Biesse in its correspondence with clients and suppliers for problems relating to administrative and legal issues and with authority to settle any potential legal disputes on an out of court basis.

The previously mentioned executive directors have undertaken to report to the Board of Directors at the first available meeting regarding any activity carried out during the period of their mandate.

4.1.2 Appointment of Directors and the Nominations Committee

4.1.2.1 Appointment of Directors

The appointment of directors occurs in accordance with a transparent procedure, which also aims to guarantee adequate and timely information regarding the credentials of candidates for relevant positions. As established by article 16 of the Company's Articles of Association, the proposed nomination for the role of Managing Director is accompanied by exhaustive information regarding the personal and professional characteristics of the candidates, with indications of any potential eligibility of the same to qualify as an independent director.

In order to comply with Law no. 262 of 28 December 2005, Biesse has undertaken to amend its Articles of Association to incorporate the "list voting" ("voto di lista") methodology of appointing directors. This amendment to the Articles is already included in the report of the Board of Directors prepared according to Attachment 3A of Consob regulation no. 11971 of 1999 and has been approved by the extraordinary shareholders' meeting of 2 May 2007. In accordance with the provisions of the Code the lists have been deposited at the registered office at least fifteen days before the date established for the shareholders' meeting.

Only those shareholders who, jointly or severally, represent at least 2.5% (two point five percent) of the ordinary share capital have the right to present lists. It is specified that no shareholder can present in person, in combination with others, by proxy, nominee or through other third parties more than one list or to vote for more than one list.

Elections to the Board of Directors proceed as follows:

a) names are drawn from the list which has obtained the greatest number of votes at the shareholders' meeting in the order in which they are presented on



the list, and as many directors as represent the totality of those to be elected less one are selected;

b) the remaining director is drawn from the second list which has obtained the greatest number of votes in the shareholders' meeting and is the first named candidate on this list. The candidate named in first place on the list which has obtained the greatest number of votes in the shareholders' meeting will be appointed Chairman of the Board of Directors.

In the event that just one list is presented or just one list receives votes then all of the board members will be drawn from that list.

In the absence of lists, the Board of Directors will be nominated by the shareholders' meeting on the basis of the majority system established by law.

4.1.2.2 The Nominations Committee

The Board of Directors unanimously approved on 5 May 2003 not to proceed with the appointment of a Committee to oversee nominations given the modest size of the administrative body. Moreover, the transparency of the nominations procedure and the balanced composition of the Board are considered to be sufficiently guaranteed following the introduction of the voting list mechanism, with amendments of the Articles approved by the shareholders' meeting of 02/05/2007.

4.1.3 Directors compensation and the Remuneration Committee

In order to attract, retain and motivate directors with the professional qualities necessary to manage Biesse successfully as well as ensuring that the interests of executive directors are consistent with the aims of pursuing the primary objective of medium to long term value creation for shareholders, a significant portion of the remuneration of the executive directors and senior management of the Group is constituted by remuneration tied to the achievement of economic results and/or pre-established individual performance targets (so-called bonus or variable incentive systems).

On 15 May 2003, the Board of Directors set up from amongst its members the Remuneration Committee which is currently composed of the following members:

- Leone Sibani, Independent Director
- Giampaolo Garattoni, Independent Director
- Salvatore Giordano, Independent Director



The Committee has the responsibility to (i) present to the Board proposals for the remuneration of executive directors, monitoring the application of decisions adopted by the Board of Directors; (ii) periodically to evaluate the criteria adopted for the remuneration of directors with strategic responsibilities, supervising the application of these criteria and preparing general recommendations for the Board.

The Committee has free access to information and to necessary business departments and meets twice a year with official minutes of any decisions reached.

4.1.4 The Internal Control system

4.1.4.1 Introduction

The Internal Control System of the Company, in line with recent recommendations on corporate governance, is a combination of the rules, procedures and organisational structures which permit, through an appropriate process of identification, assessment, management and monitoring of the main risks, to run the Company in an honest and correct way that accords with the pre-established objectives.

In particular, the system aims to guarantee:

- the efficiency and efficacy of Company operations;
- the reliability of its economic and financial data;
- the observance of the law and regulations;
- and, in general, to protect the Company capital.

The Board of Directors is responsible for the internal control system and establishes its course of action, periodically checking its adequacy and effectiveness, also via the Internal Control Committee and, lastly, lays out its main objectives in the report on corporate governance.

4.1.4.2 Control system and supervision of the internal control system

The Board has adopted a policy for risk management procedure with a sequential format of

- Identification
- Evaluation
- Management
- Monitoring

of any processes showing a risk profile.



Having selected the processes, the aim is to assess the management accounting implications of the most important processes and identify the most significant types of risk. Having done this, for each one:

- the purposes of the control were identified;
- the correct area of responsibility was defined;
- specific guidelines were advanced for the control policies.

In particular, the administrative/financial risk profile was taken into consideration of the following processes identified as:

- Passive cycle:

Ordinary activity Receipt/invoice verification Payment → invoices

- Active cycle:

Ordinary activity → Shipment and Invoicing → Cash in

- Financial cycle:

Exchange risk hedging → Treasury management

- Fixed asset cycle:

Increase → Depreciation → Divestment → Management

- Remuneration cycle:

Hiring and dismissals → Processing payslips → Payroll

- Management of information systems:

Continuity → Reliability → Technical environment and logic security

Biesse considers the increased use of checks and controls to protect the correctness of shareholder information as a fundamental element of shareholder value creation. It has moved promptly to have a focussed and efficient compliance system as set out in the previously mentioned law no. 262/2005. To protect shareholders and, in general, all stakeholders, Biesse is implementing procedures which will guarantee the veracity, correctness and transparency of all data through (i) detection of significant transaction categories, transactions which are not considered routine, and accounting estimates to be included in an analysis of the related significant accounts in the consolidated accounts, on the basis of stipulated qualitative and quantitative criteria (for example, materiality, inherent risk, etc.); (ii) risk evaluation to ascertain that processes and sub-processes identified in the detection phase have not been rendered invalid by irregularities, errors and omissions not revealed by the internal control system and by the Corporate Governance procedures; (iii) the possible implementation



of new control procedures to prevent the risks mentioned in point (ii); (iv) planning, scheduling and execution of a series of tests on the whole control system to ascertain its existence and efficacy, as well as the preparation of a Remediation Plan to cover all the control objectives defined in the detection phase.

In order to implement fully the ICFR internal control model in 2007 the company set up: (i) the compliance plan which dictates the rules that formalise, maintain and manage the model itself; (ii) the collation procedure to ensure receipt by the Chairman of the BoD and the Manager responsible for the preparation of the company accounting records of internal affidavits by internal process owners responsible for the application of the model.

In 2007, the Chairman of the BoD was designated the representative for Internal Control and supervised the implementation and development of Project 262 identifying the main risks to the Company and designing, realising and managing the internal control system whilst seeking to adapt the system to the operating conditions of the Company while respecting the regulations and the laws in force.

Furthermore, the Chairman of the BoD, in agreement with the Internal Control Committee, proposed to the Board the appointment, and related remuneration package, of the new Manager for internal control – who is also the Manager in charge of Internal Auditing – who has the necessary qualification of independence, under the Self Regulatory Code, and replaces the previous Manager for Group control who covered this position for the interim period.

The appointed manager has been given independent financial resources and has undertaken to make the Project 262 control system operative and report the results directly to the Internal Control Committee and the Board of Statutory Auditors.

4.1.4.3 Internal Control Committee

The Board of Directors has appointed an Internal Control Committee from among its members. This, as required by the Code, is currently composed of three non-executive independent directors:

- Leone Sibani – Independent Director
- Giampaolo Garattoni – Independent Director
- Salvatore Giordano – Independent Director

The Committee, besides assisting the Board of Directors to carry out the duties described in paragraph 4.1.4.2, should:



- 1) appraise, in conjunction with the auditors, the correct and consistent application of accounting standards in the preparation of the consolidated financial statements;
- 2) appraise the proposals put forward by the external auditors in order to obtain a clear audit certification, as well as the working plan for auditing the accounts, the results in the report and any potential letter of suggested changes;
- 3) oversee the efficacy of the auditing of the accounts;
- 4) examine the working plan drawn up by the manager for internal control;
- 5) report to the Board on the activities, and adequacy, of the internal control system.

In 2007, the Committee instigated the regular function of Internal Auditing.

4.1.5 Related party transactions

In related party transactions - related parties means those defined by law (in particular Article 2391 *bis* of the Italian Civil Code) and by regulations - the Company adheres to the rules of transparency and the criteria of essential and procedural fairness.

These transactions must be approved by the Board of Directors which can, if so dictated by the nature and value of the transactions, make use of independent experts.

Directors having an interest, even indirect, in such transactions must:

- give timely and detailed notice to the Board of Directors concerning any interest and the circumstances of the same, even where there is no conflict of interest;
- take no part in any deliberation and abstain from any vote.

4.1.6 Treatment of Company information

Under the Code, directors and statutory auditors are obliged to keep confidential all documents and information acquired in carrying out their duties and must adhere to the procedure adopted by the Company for disseminating, both internally and externally, such documents and information.

- 4.1.6.1 Internal rules governing the management of privileged information and the constitution of a register of persons with access to privileged information.



External communication of information pertaining to the Company and/or the Group, in particular price sensitive information, is regulated by a procedure approved by the Board of Directors at the meeting of 14 February 2006. This assures the complete, correct, clear and transparent, timetable and maximum dissemination of the aforementioned information pertaining to the Company and its subsidiaries, as well as adherence to the primary and secondary regulations in force.

The timeliness and the relevance of the information for public release is the responsibility of the CFO (Head of Administration, Finance and Control), who is also in charge of Investor Relations, when coordinating the release of information into the public domain where there is a need to (i) adhere to the regulations; (ii) aid the Board of Directors, other company bodies and those responsible for business activities/units to fulfil correctly the information requirements of the Consob and of Borsa Italiana, while also ensuring that any general or regulatory information from the market regulatory authorities and from Borsa Italiana is circulated; (iii) coordinate with the Marketing and Communication Division to avoid the release of privileged and significant information into the public domain and ensure that the marketing of the Company's businesses is not mishandled; (iv) ensure that public communications are, as far as possible, made at the same time to all categories of investors in any member States in which the Company has requested or approved the trading of its financial instruments on a regulated market.

4.1.6.2 Internal Dealing Code of Conduct

On 27 March 2006, the Board of Directors adopted internal regulations for Internal Dealing, which govern information flows from persons subject to Article 114, para. 7, of the TUF (Unified Financial Legislation) and those recognised as "relevant" by the rules of the Company, Consob and the Market. This applies to all transactions carried out on and after 1 April 2006.

The new code regarding Internal Dealing is applicable to all purchase, sale, underwriting and exchange of shares issued by Biesse or financial instruments connected to it and carried out by relevant persons and by persons closely connected to the latter. This last category includes shareholders owning at least 10% of the outstanding share capital of the Company, the Directors and Statutory Auditors of Biesse, as well as those in management positions or managers with regular access to privileged information and invested with the power to make decisions that could influence the development and future prospects of Biesse.

The obligation of transparency applies to all the aforementioned transactions which, when totalled, have a value of Euro 5,000.00 or more in a single year, even when carried out by persons closely connected to the relevant persons.



Biesse has already made provision to adopt the black-out period restrictions, in Consob deliberation n. 15786 of 27 February 2007 for those wishing to remain in the STAR sector, under which it is forbidden for relevant persons and those closely connected to them to carry out any transactions in the following periods:

- a. from the [fifteenth day] preceding (and including) the date set for the Board of Directors meeting to approve the annual Financial Statements, the Interim Financial Statements and the Quarterly Financial Statements, until the press release concerning the deliberations of the Board of Directors is released to the market;
- b. in accordance with the stipulations in a) above, from receipt of the communication of entry in the "Register of persons having access to privileged information" under Article 115 -bis TUF, until the moment when the privileged information that has led to the entry in the Register is released to the market.

4.1.7 Institutional investor and shareholder relations

4.1.7.1 Investor relations manager

In Biesse financial communication has a primary role in value creation for the Group: as a result, Biesse has adopted a strategy aimed at ensuring a continuous and correct flow of information between the financial community, the market and the Company. Biesse has always actively worked to establish a continuous dialogue with institutional investors, shareholders and the market whilst respecting the procedures adopted for external communication of privileged documents and information. To this end, the specific function of investor relations was set up to collaborate with the Board of Directors in guaranteeing the systematic circulation of detailed and timely information through press releases, meetings with the financial community and periodic updates to the Company website (www.biessegroup.com).

During 2007, Biesse participated in all the events organised by Borsa Italiana (the STAR events in Milan, New York, London and Paris) as well as organising numerous meetings with the Italian and international financial community.

4.1.7.2 The website

In order to augment financial communication, the Board of Directors of Biesse ensures that there is timely and easy access to any information about the Company that is relevant to its shareholders so that they may exercise their rights in an informed manner. For this reason Biesse has considered it appropriate to set up an appropriate area, within its own website, where both financial information (Annual, Interim and Quarterly Financial Statements) and data and documents of interest to shareholders, including the Company Code of Ethics and



Organisational Model, can be found.

(http://www.biessegroup.com/investorrelations/corporategovernance_IT.asp).
Such information remains available on the website for a minimum of five years.

4.1.8 Regulations governing shareholders' meetings

Since 2001, the Company has adopted a series of regulations for shareholders' meetings concerning the orderly and organisational progress of ordinary and extraordinary shareholders' meetings, guaranteeing each shareholder the right to participate in any discussion on the agenda.

The details are available in the appropriate section of the website (www.biessegroup.com).

4.1.9 Statutory Auditors

The Statutory Auditors monitor observance of the law and the Company articles of association and monitor operations whilst financial control is not part of their remit but is assigned to auditors appointed by the shareholders' meeting from among those companies in the register held by Consob.

The Company articles of association lay down that the Statutory Auditors must be three serving auditors and two substitute auditors and that their names must be from lists drawn up by shareholders having at least 2% of the share capital with voting rights in ordinary shareholders' meetings. Other shareholders have the right to elect one serving Auditor and one substitute Auditor. Each shareholder, as well as those shareholders belonging to the same group of shareholders, cannot themselves, or through a nominee or fiduciary company, put forward more than one list or vote for different lists.

In the event of violation of this rule, the vote of the shareholder for every list presented will not be considered. Each candidate may only be proposed in one list otherwise he/she will be considered ineligible.

The extraordinary shareholders' meeting of 2 May 2007 approved the amendment of the Company's Articles of Association to extend the time in which the lists may be deposited from ten to fifteen days as suggested by the Code. The names proposed are accompanied by detailed information regarding their personal and professional credentials, administrative and management positions held in other companies and by declarations in which each candidate, accepting his/her candidacy, attests that there is no grounds for ineligibility or incompatibility, and that they meet the legal and statutory qualifications required by the respective positions.



The Board of Statutory Auditors appointed by the shareholders' meeting of 29 April 2006 until approval of the Financial Statements for the financial year to 31 December 2008 is made up as follows:

- Giovanni Ciurlo, Chairman
- Adriano Franzoni, Serving Auditor
- Claudio Sanchioni, Serving Auditor
- Daniela Gabucci, Substitute Auditor
- Cristina Amadori, Substitute Auditor

4.1.10 Independent Auditors

On 2 May 2007, the shareholders' meeting effectively deliberated the latest renewal of the mandate to the Auditors, Deloitte & Touche S.p.A., regularly inscribed in the register as per Article 161 of the Decree law of 24 February 1998 no. 58, for the years 2007 - 2008 - 2009.

4.1.11 Manager responsible for the preparation of the Company accounts

Under the articles of association - and in accordance with the Law of 28 December 2005 no. 262 - on 14 May 2007, the Board of Directors, following the suggestion of the Chairman, and having received the opinion of the Statutory Auditors, unanimously appointed the Director of Finance and Control, Mr Stefano Porcellini, as the Manager responsible for the preparation of the Company accounting records, recognising that he fulfils all the requirements of professionalism and integrity demanded by existing law to occupy such a sensitive position.

The Manager was also given all the necessary powers under Article 154 bis of Decree Law no. 50 of 24/2/1998, as introduced by Article 14 para. 1, no.262 and, as an example but not intended to be exhaustive, the following:

- a) the power to set up adequate administrative and accounting procedures in the parent company and all the Italian and foreign subsidiaries;
- b) the power to hire employees for specific jobs and to decide their remuneration, in accordance the group policy, and to dismiss the same;
- c) the power to appoint or dismiss Italian and foreign consultants, to establish the duration of their contracts and their remuneration;
- d) the power to acquire directly or through financial leases assets and software necessary to draw up the Financial Statements and related procedures;



- e) any necessary power, including financial, for the correct execution of the duty entrusted him.

4.1.12 Organisational Model and Code of Conduct in accordance with Decree Law no. 231 of 8 June 2001

The Board of Biesse has approved the organisational Model (henceforward the "Model") under Decree Law no. 231 of 8 June 2001 concerning the administrative responsibility of the bodies.

This Model, the result of a long and detailed analysis of the risks relative to the legal entity of Biesse, is coherent with the principles of Decree Law 231/01, in line with Italian best practice and the indications of Confindustria; it is designed to avoid the risk of criminal acts, as covered in the aforementioned decree and subsequent modifications, being committed by employees and colleagues of the Company.

It represents a further element of rigour and responsibility in internal relations and in those with the external world and offers shareholders suitable guarantees of efficient and correct management.

The Model contains a detailed analysis of the risks relative to those criminal acts covered by the code, with particular reference to crimes relevant to the business of Biesse and a list of the appropriate procedures to bridge any eventual gap existing between those areas considered to be potentially at risk and the procedures already existing and operational in Biesse.

An integral part of the Model is the Code of Ethics, which is an official document describing the undertakings and ethical responsibilities in the conduct of the business and activities subscribed to by Biesse and by other companies in the Biesse Group. It also regulates the rights, duties and responsibilities that Biesse specifically assumes towards those with which it interacts in carrying out its business. The Code also aims to introduce and make binding within Biesse the principles and rules of conduct relating to reasonable prevention of the criminal acts covered by Decree Law no. 231 of 8 June 2001.

A Vigilance Committee composed of three Independent Directors, the Legal Office of Biesse, and the Internal Auditing department of Biesse has been appointed with the duty:

- periodically to verify the map of areas (or "sensitive activities") at risk of criminal acts, adapting it to modifications in the business and/or structure of the Company. To this end, the Vigilance Committee is notified by management and by those responsible for supervising the single activities of any eventual circumstances which could expose the Company to a criminal act;



- periodically to verify that the Model is being adhered to and, in particular, to ensure that the procedures and checks contained therein are being carried out and adequately documented and that the ethical principles are respected;
- periodically to check certain transactions or specific acts carried out, particularly in sensitive operations where the results are summarised in a specific report the contents of which are notified to the Company committees;
- to guarantee that the necessary corrective measures to make the Model fitting and effective are undertaken in a timely fashion;
- to collect, analyse and preserve all the relevant information received concerning the Model, as well as to update the list of information that must be communicated. To this end, the Vigilance Committee has unrestricted access to all the relevant company documentation and is constantly
- kept informed by management of all aspects of Company business which could expose the Company to the risk inherent to the committing of one of the criminal acts covered by the Decree, as well as relations with consultants and partners;
- to report periodically to the Chairman, the Board of Directors and the Board of Statutory Auditors on the application of company policies and of the Model;
- to monitor any violations of the Model, including any violations of the Code of Conduct.

To complete the Model, the Company has also set up a structured and organic procedural and control system (both by improving the efficacy of those already existing and implementing new ones) aimed at covering any risks deriving from sensitive and significant activities which might lead to one of the criminal acts governed by the aforementioned decree being committed.

Through the parallel implementation of the two projects (Project 231 and Project 262) Biesse has also put into effect what it considers to be an effective strategy for increasing shareholder value as it aims to guarantee complete surveillance providing continual protection for shareholders and, in general, stakeholders from the possible risks inherent in the Company Governance even in the future.



5. SECTION FOUR

5.1 APPENDICES AND TABLES

- a) *Table 1:* Structure of the Board of Directors and Committees and list of positions held by board Directors in other listed companies, in finance companies, banks, insurance companies or companies of significant size;
- b) *Table 2:* Structure of the Board of Statutory Auditors and list of positions held by the Auditors in other listed companies, in finance companies, banks, insurance companies or companies of significant size;
- c) *Table 3:* Other requirements of the Self-Regulatory Code;
- d) Self-Regulatory Code of March 2006.

Pesaro, 20 March 2008

For the Board of Directors

The Chairman

Roberto Selci



TABLE 1: COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors							Internal Control Committee (a)		Remuneration Committee (b)		Possible Appointments Committee (c)		Possible Executive Committee	
Position	Members	Executive members	Non-executive members	Independent members	****	No. of other positions held **	***	****	***	****	***	****	***	****
Chairman	Roberto Selci	x			100	/			x	100				
Managing Director	Giancarlo Selci	x			50	/								
Director	Alessandra Parpajola	x			87.5	/								
Director	Stefano Porcellini	x			100	/								
Director	Giampaolo Garattoni		x	x	87.5	04	x	100	x	100				
Director (f)	Leone Sibani		x	x	87.5	05	x	100	X	100				
Director (g)	Salvatore Giordano		x	x	62.5	02	X	100	X	100				
(a) Summary reasons for the absence of a Committee or for a different composition to that recommended in the Code:														



(b) Summary reasons for the absence of a Committee or for a different composition to that recommended in the Code:

(c) Summary reasons for the absence of a Committee or for a different composition to that recommended in the Code: The Board of Directors voted unanimously against the appointment of an Internal Appointments Committee and to give this function to the BoD given the limited number of managers.

Number of meetings held in the financial period under review	BoD:8	Internal Control Committee: 2	Remuneration Committee: 1	Appointments Committee: /	Executive Committee: /
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NOTES

*The asterisk indicates a director appointed from the lists presented by minority shareholders.

**This column shows the number of directorships or auditor positions held by that person in other companies listed on a regulated market, including foreign markets, in finance companies, banks, insurance companies or other companies of significant size.

Mr Leone Sibani holds the following positions:

- Chairman of SanPaolo IMI Fondi Chiusi SPA SGR
- Chairman of Neos Banca
- Chairman of Imi investimenti SpA
- Director of SanPaolo IMI Investimenti per lo Sviluppo SPA SGR
- Director of SanPaolo BANCA dell' Adriatico



Mr Giampaolo Garattoni holds the following positions:

- Director of Aksia Group SGR Spa
- Sole Director of Regatta Srl
- Sole Director of Onboard Srl
- Sole Director of Welcome Srl

Mr Salvatore Giordano holds the following positions:

- Chairman of Centrale GPA SpA
- Executive Director of ASSINDUSTRIA Consulting srl

***An "X" in this column indicates that the Board Director is a member of the Committee.

**** This column shows the percentage of Board and committee meetings attended by Board members.



TABLE 2: BOARD OF STATUTORY AUDITORS

Position	Members	Percentage of Auditors' meetings attended	Number of other positions held**
Chairman	Giovanni Ciurlo	100	12
Serving auditor*	Adriano Franzoni	100	/
Serving auditor *	Claudio Sanchioni	100	/
Serving auditor			
Serving auditor			
Substitute auditor	Daniela Gabucci	0	/
Substitute auditor	Cristina Amadori	0	/
Number of meetings held during the financial period under review: 8			
The quorum required for the presentation of lists by the minority shareholders for the election of one or more serving members (Article 148 TUF): 2%			

NOTES

* The asterisk indicates an auditor appointed from the lists presented by minority shareholders.

**This column shows the number of directorships or auditor positions held by that person in other companies listed on a regulated market, including foreign markets, in finance companies, banks, insurance companies or other companies of a significant size.

Mr Giovanni Ciurlo holds the following positions:

- Serving Auditor Banco Di S. Giorgio Spa
- Chairman of the Board of Statutory Auditors Comdata Spa
- Chairman of the Board of Statutory Auditors Fafid Spa
- Serving Auditor Stroili Oro Spa
- Serving Auditor Fi.L.S.E. Spa



- Serving Auditor Gottardo Asset Management Sgr Spa
- Chairman of the Board of Statutory Auditors. Gru Comedil Srl
- Serving Auditor Rgi Spa
- Director Salmoiraghi & Vigano' Spa
- Serving Auditor Sivori & Partners Sim Spa
- Serving Auditor Vittorio Cauvin Spa
- Chairman of the Board of Statutory Auditors AEB SpA



TABLE 3: OTHER REQUIREMENTS OF THE SELF-DISCIPLINARY CODE

	YES	NO	Summary reasons for any variation from the recommendations of the Code
<i>Procedures for related party appointments and transactions</i>			
The BoD has devolved power stipulating as follows:			
a) if limited	x		
b) conditions of use	x		
c) and periodic reporting?	x		
Has the BoD reserved the right to examine and approve any significant economic, capital and financial transactions (including related party transactions)?	x		
Has the BoD drawn up guidelines and criteria for identifying “significant” transactions?	x		
Are the aforementioned guidelines and criteria included in the report?	x		
Has the BoD identified appropriate procedures for examining and approving related party transactions?	x		
Are the procedures for approving related party transactions included in the report?	x		



<i>Procedures adopted for the most recent appointments of directors and statutory auditors</i>			
Candidates for the position of director were put forward at least fifteen days in advance of the appointment?	x		
Detailed information accompanied any candidacy for director?	x		
Information on suitability as an independent director accompanied any candidacy for director?	x		
Candidates for the position of statutory auditor were put forward at least fifteen days in advance of the appointment?	x		
Detailed information accompanied any candidacy for statutory auditor?	x		
The BoD has appointed a "manager responsible for preparing the company accounts"?	x		
The BoD has appointed an independent director as the Lead Independent Director?	x		
<i>Shareholders' Meetings</i>			
The Company has approved Regulations governing Shareholders' Meetings?	x		
The Regulations are included in the report (or indication is given of where it can be obtained or downloaded)?	x		
<i>Internal Control</i>			
The Company has appointed someone to head up internal control?	x		
The appointees are not answerable to any managers of operative	x		



areas?			
Organisational unit for internal control (ex Article 9.3 of the Code)	Mr Cristian Berardi Internal Audit BIESSE SpA Via Della Meccanica, 16 – 61100 PESARO Tel. +39 0721/ 439439 Fax + 39 0721/439223 e-mail: cristian.berardi@biesse.it		
5.2 Investor relations			
Has the Company appointed someone for Investor Relations?	x		
Organisational unit and details (address/telephone no./fax/e-mail) of the Head of Investor Relations	Mr Alberto Amurri Investor Relator – CFO - Gruppo BIESSE SpA Via Della Meccanica, 16 – 61100 PESARO Tel. +39 0721/439107 Mobile + 39 335 1219556 Fax + 39 0721/439223 e-mail: investor@biesse.it		