



***REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE  
pursuant to art.123-bis TUF***

Report approval date: 15<sup>th</sup> March 2011  
Year to which the Report refers: 2010

Web site: [www.irce.it](http://www.irce.it)

## **CONTENTS**

- 1. Company's profile**
- 2. Informations on Ownership Structure**
- 3. Compliance**
- 4. The Board of Directors**
- 5. Price sensitive informations**
- 6. Internal Committee**
- 7. Internal Controll**
- 8. Person in charge of internal controll**
- 9. Organisation Model adopted pursuant to D.Lgs no.231/200**
- 10. Auditing of accounts**
- 11. The manager responsible for preparing the company financial statemets**
- 12. Transaction with related parties**
- 13. The Board of Auditors**
- 14. Relations with Shareholders**
- 15. The Shareholders' Meeting**

ATTACHMENT 1: *Main characyeristics of risk management and existent internal control management in relation to financial information processing according to article 123-bis, part. 2, b) TUF*

## 1. Company's profile

IRCE is an industrial group of relevance in Europe, with two business areas:

- Winding wires for electric machines, commonly known as enamelled wires; this product is mainly utilized in several applications such as motors, electric generators, transformers, inductances and relays. The main feature of this product is the increasing use linked to continuous automation expansion. The production covers the 65% of the group turnover and the reference market is Europe.
- Insulated energy cables; this product is utilized in the installation of electrical plants in residential and industrial buildings, and for feeding electric current and wiring electric equipment. The production covers the 35% of the group turnover and the reference market is Italy.

## 2. Informations on Ownership Structure (art.123-bis TUF) as of 15<sup>th</sup> March 2011

### a) Structure of share capital (art.123-bis, pat.1 a) TUF)

The share capital consists of registered shares whose ownership involves the social statute and to the Shareholders' Meeting resolutions; the share capital comes to € 14.626.560 consisting of n.28.128.000 shares, the shares are fully paid and without rights, privileges and ties on dividends distribution and capital refund.

<b>STRUCTURE OF SHARE CAPITAL</b>				
	No of shares	% of share capital	Listing	Rights and duties
Ordinary shares	28.128.000	100%	MTA	Each share gives right of vote.  The shareholders' rights and dutise are indicated on art. 2346 of Code Civil
Share with limited right of vote	0			
Share without right of vote	0			

### b) Restrictions on share transfer (art.123-bis, part.1 b) TUF)

There are no restrictions on the transfer of share.

### c) Significant interests in share capital (art.123-bis, part.1 c) TUF)

The shareholder majority is Aequafin Spa at present owning 50,004% of the share capital.

<b>SIGNIFICANT INTERESTS IN SHARE CAPITAL</b>			
Declarant	Direct shareholder	% of share ordinary capital	% of votino capital
AEQUAFIN SPA	AEQUAFIN SPA	50,004	50,004
DALLAGO ORFEO	DALLAGO ORFEO	2,088	2,088

**d) Shares carrying special rights (art.123-bis, part.1 d) TUF)**

No shares have been issued that grant special rights of control.

**e) Employees share ownership: mechanism for exercising voting rightst (art.123-bis, part.1 f) TUF)**

There is no employees share ownership.

**f) Restriction on voting rights (art.123-bis, part.1 f) TUF)**

There are no restrictions on voting rights.

**g) Shareholders agreements (art.123-bis, part.1 g) TUF)**

There are no agreements know to the Company under art.122 TUF.

**h) Change of control clauses (art.123-bis, part.1 h) TUF)**

There are no change of control clauses.

**I) Directors' indemnity in case of resignation, dismissal or cessation for public purchase offer (art.123-bis, part.1 i) TUF)**

There are not agreement between the Company and the Directors for indemnity in case of resignation, dismissal or cessation for public purchase offer.

**I) Authority to increase share capital and authorisations to buy back shares (art.123-bis, part.1 m) TUF)**

The Board of Directors has not authority to increase share capital.

On 29<sup>th</sup> April 2010 the Shareholder's Meeting has deliberated the authorization to buy and to transfer owened shares according to art.2357 Civil Code. The nominal value of shares boufht can not exceed the fifth part of share capital.

The authorization will be effective for 18 months. The purchase price can not be lower than 80% and higher than 120% of the price registered by Italian Stock Exchange during the session preceding the purchase.

### **m) Direction and coordination**

The company is not subjected to direction and coordination according to art. 2497 Civil Code.

## **3. COMPLIANCE**

IRCE S.p.A has adopted an internal organizational structure and a corporate governance conformed, in substance, to the Code of Conduct for Listed Companies.

With the present report, arranged according the law in force, Italian Stock Exchange Rules Instructions, we would like herewith explain accomplished to the investors community, from year to year, the corporate governance model adopted from the company and his concrete fulfilments formalisaties.

The company governance's structure has constituted by the Shareholder's Meeting, the Board of Directors and the Board of Auditors.

## **4. The Board of Directors**

### **4.1 Appointment and replacement (art.123-bis, part.1 I) TUF)**

The company is managed by a Board of Directors with a minimum of three and a maximum of twelve members appointed, the member appointments should take place based on shareholders lists.

The lists can be issued by the shareholder holders of quota of shares capital according to Consob's Rule. The form of lists assure that at least one candidate is expressed by the list of minority as indicated on art.147-ter of T.U.F.

If during the year, for any reason, one or more Directors failed, the others in charge provide for the substitution with a resolution approved by the Board of Auditors, this appointed Directots will be in charge until the sucessive shareholders' meeting.

If failed the Director who was be expressed by the list of monority the substitution will be done priority with the candidates indicated in the list of the Director failed, still eligible and available to accept the charge

The Board of Directors being in charge for the period fixed by Shareholders' Meeting, not superior to three years, and the members must be re-elected.

The Board is invested with the full powers for ordinary and extraordinary company management, excepted only those ones are assigned by law absolutely to the Shareolders' Meeting.

The Board of Directors can also decide on mergers and aquisitions, according to art.2505 and 2505 *bis* code civil, incorporation and suppression of branch office, statute's adjustment to provision of the law, as well as on the share capital's reduction in case of partner's withdrawal and according to art.2446 code civil.

#### 4.2 Composition (art.123-bis, part.2 d) TUF)

The actual Board of Directors, that will be in charge until the approval of balance-sheet 2012, consists from 5 Directors, whose 2 executives, 1 not executive and 2 independent according to the art. 3 of the Code of Conduct for Listed Companies.

BOARD OF DIRECTORS										
Members	Office held	In office from	In office until	List	Exec.	Non Exec.	Indep. As per Code	Indep. As per TUF	Participation	Other appointments
Casadio Filippo	Chairman	29.04.10	Balance 2012 approval	n/a	X				100%	
Gandolfi Colleoni Francesco	Director	29.04.10	Balance 2012 approval	n/a	X				100%	
Sepriano Gianfranco	Director	29.04.10	Balance 2012 approval	n/a		X			100%	
Senese Fabio	Director	29.04.10	Balance 2012 approval	n/a			X	X	100%	1
Dallago Orfeo	Director	29.04.10	Balance 2012 approval	n/a			X	X	100%	

The actual Remuneration Committee and Internal Control Committee consist from:

COMMITTEES								
Members	Office held	In office from	In office until	CR	Participation CR	CI.	Participation C.I	
Sepriano Gianfranco	Chairman	29.04.10	Balance 2012 approval	P	100%	P	100%	
Senese Fabio	Member	29.04.10	Balance 2012 approval	M	100%	M	100%	
Dallago Orfeo	Member	29.04.10	Balance 2012 approval	M	100%	M	100%	

The presence in the Board of executive, not executive and independent members is a choice in order to guarantee a good company administration and the clashing interest situation prevention.

We highlight that Mr. Fabio Senese is also Director of the company AFIR Srl, these company are not part of IRCE Group.

#### 4.3 The role of Board of Directors (art.123-bis, part.2 d) TUF)

The Board of Directors has got the largest powers for the ordinary and extraordinary management of the company and the responsibility of strategic, organizational and control trends.

In particular, between all the subjects indicated in the Code, the Board of Directors with exclusive competence:

on Statutory arrangement basis:

- determines, after Committees for remunerations proposals examination, the remuneration of the managing directors and of those directors who are appointed to particular position within the company;
- delegates powers to the managing directors and revokes them, it shall specify the limits to such delegated powers and the manner of exercising them.

on consolidated praxis basis

- reports to the shareholders at Shareholder's Meeting.

foreing part the statutory notion of ordinary and extraordinary management

- examines and approves the company's strategic, operations and financial plans and the corporate structure of the group it may head;
- checks the adequacy of the general organisational and administrative structure established by the Managing Director.

Are exclusive decisional competence of the Board of Directors the operations with an important economic, patrimonial and financial aspects, with a particular care at the operations with correlatives parts (point e) art.1.2 from the Code), therefore the following powers are not appointed: purchasing of sharing and/or firm or branch firm for an amount, including the financials debts on the sharing and/or firm or branch firm bought-out, higher to € 10.000.000,00 and the selling of sharing and/or firm or branch firm with a value, including the financials debts on the sharing and/or firm or branch firm sold, higher to € 10.000.000,00 and the release of warranties and real rights or similar bonds regarding company properties that are not on company interest and/or connected to the ordinary management for an amount higher to € 10.000.000,00 and the previously approve of the transaction with related parties (Resolution of the Board from 11<sup>th</sup> February 2011).

The Board of Directors meetings have a regular cadence to get the quarterly, half-yearly situation approval and for the annual financial statement and everytime necessary.

The meetings are convened and presided over by the Chairman that coordinates the activities and leads the development.

The social statute has no minimum meetings number: during the year 2010 the Board of IRCE gathered 8 times and we expect the same for the year 2011.

By such meetings occasions the Directors are informed adequate in advance concerning daily topics treated and they have access to all the available informations.

The Directors are appointed by the shareholders' meeting that establishes with own resolution the reward.

The rules for shareholders' meeting provides that by the occasion of the appointment of new directors their curriculum vitae will be deposited in the social headquarters at least 10 days before the meeting.

The Board of Directors according to the law can establish a reward for the Director with particular appointment.

#### 4.4 Chairman of Board of Directors

In order to obtain a better functionality of company management and corporate governance, the Board has delegated part of his powers to the Chairman (Resolution of the Board from 29<sup>th</sup> April 2010).

The Chairman has got all the powers of ordinary and extraordinary administration, excluding only the ones specified in the previous point, that are remaining exclusive competence of the Board and the Chairman has got furthermore an operative role in the organizational structure of the Company.

The Chairman, according to art.2381, *3 comma*, code civil, reports to the Board of Directors and to the Board of Auditors about the management's general trend and about the most important business operations carried out by the company or its controlled companies.

The Chairman is the main responsible of Comapy's management (*chief executive officier*).

#### 4.5 Executives Directors

In the actual Board of Director there is, more than Chairman, an other Execute Directors, Ing. Francesco Gandolfi Colleoni, he's the search and development manager.

#### 4.6. Independent Directors

A Director does not appear independent in the following events:

- a) If he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;
- b) if he/she is, or has been in the preceding three fiscal years, a relevant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly, a significant commercial, financial or professional relationship with the issuer, one of its subsidiaries or any of its significant representatives, with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or with the relevant significant representatives; or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;
- d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the fixed remuneration of non-executive director of the issuer, including the participation in incentive plans linked to the company's performance, including stock option plans;
- e) if he/she was a director of the issuer for more than nine years in the last twelve years;
- f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;



- h) if he/she is a close relative of a person who is in any of the position listed in the above paragraphs.

In accordance with this statement the Board of Directors has considered that Mr. Fabio Senese and Mr. Orfeo Dallago are qualified like "independents", particularly Mr Orfeo Dallago, who have an interest in share capital of 2,08%, has been considered independent.

The Board of Auditor verified the correct application of principles and procedures adopted by the Board of Directors for value the independence of its members.

## 5. Price sensitive informations

The Board of Director has arranged a procedure to communicate externally price sensitive documents and informations concerning the company. Such procedure provides that the external communication of the documents and informations is cure of the Investor Relations Office.

The Investor Relations Office informed by the top management of important facts regarding the company or the subsidiaries, compares itself with the Legal Office to verify law duties and in particular to check if the information should be considered price sensitive. If the information is price sensitive the Investor Relations Office defines the communication contents through a press release and with the help of the Legal Office assures that the press release has got the provide qualifications by the law in force.

Such press release is subjected to the Chairman or Managing Director for the final approval before the external communication.

The press release relevant to price sensitive informations will be sent in advanced to the Italian Stock Exchange and Consob and then admitted in the NIS (Network Information System), according the provided formalities by the law in force.

The press release will be made public also on the internet website [www.irce.it](http://www.irce.it).

The Board of Directors of IRCE SPA has approved the Code of Conduct (internal dealing) in accordance with article 2.6.3 of the Italian Stock Exchange Rules.

In particular the company will inform the market of the information it receives from the *Significant Person*:

- a) when, during the quarter, a single declarer carries out transactions for a cumulative amount equal to, or more than € 50.000,00 IRCE SPA shall communicate the transactions by the 10<sup>th</sup> day, in which the Stock Exchange is opened, after the end of the quarter.
- b) whenever a single declarer carries out transactions for a cumulative amount equal to, or more than, € 250.000,00 IRCE SPA shall communicate the transactions immediately and however within one day from the receipt of the declaration of the "Significant Persons".

## **6. Internal Committee (art.123-bis, part.2 d) TUF)**

### **6.1 Internal Control Committee**

The Board of Directors, with resolution on 29<sup>th</sup> April 2010, according to art.10 Code of Conduct, has renewed the internal control committee, with the task of giving advice and making proposal.

At the moment the Committee, that being in charge until the approval of balance-sheet 2012, are made up of Mr. Gianfranco Sepriano, non-executive director, Mr. Fabio Senese and Mr. Orfeo Dallago both independents directors.

The Internal Control Committees has the competences indicated on art.10.2 Code of Conduct.

The Chairman of the board of auditors and the Managing Director may participate in the committee's meetings.

During the year 2010 the Internal Control Committees has held two meetings, the activity carried on during the year 2010 focused on the re-examination of the procedures concerning the most relevant risk situation and particulay the procedure concerning the processes defining the economic patrimony and investment budget and the suitability and reliability concerning the process for the management of credit insolvency and the process of the copper price fluctiation's risk.

The committee meetings are enterd in the minutes.

### **6.2 Remuneration Committee**

The Board of Directors, whit resolution on 29<sup>th</sup> April 2010 has renewed the remuneration committee.

At the moment the Committee, that beiing in charge until the approval of balance sheet 2012, are made up of Mr. Gianfranco Sepriano, non-executive director, Mr. Fabio Senese and Mr. Orfeo Dallago both independents directors.

The Committee shall:

- a) submit proposals to the Board of Directors on the remuneration of the managing directors and of those directors who are appointed to particular positions and, on the indication of the managing directors, on the criteria for determining the remuneration of the company's top management;
- b) value periodically the principles adopted for the remuneration of managers with strategic responsibilities, verify the application on the basis of informations received from managing directors and propose to the Board of Directos the general recommendations.

During the year 2010 the remuneration committee has not helded meeting because the Directors remunerations policies have not been modified.

## **7. Internal Control**

According to the Code of Conduct, the Board of Director has got the company internal control responsibility.

The Board of directors is responsible for the internal control system; it shall lay down the guideline for the system, periodically (every years) check that it is adequate and working properly, and verify that the main risks facing the company are identified and managed appropriately.

## **8. Person in charge of internal control**

The Board of Directors as appointed Mr Wilmer Neri as person in charge of internal control with tasks of valuation, constant monitoring and impulse of actual internal control. The person in charge, who has complete autonomy in his work and shall not report hierarchically to any manager of operational divisions, should report periodically on his activity to Internal Control Committee, to Board of Directors and to Board of Auditors.

The activity carried on during the year 2010 focused on the trade credit management procedure.

## **9. Organization Model adopted pursuant to D.Lgs no. 231/2001**

On 28/03/2008 the Board of Directors has adopted an organisation and control model as requested by LD.lgs no.231/2001.

The Committee of inspection, who have to watch the working and the observance of the organisation and control model, appointed by the Board of Directors on 28/03/08, are made up of:

- Mr Fabio Senese (independent member of Board of Directors) Chairman
- Lawyer Paola Preti (external consultant)
- Mr Piffanelli Gianluca (group financial controller)
- 

During the year 2010 the Committee of inspection has held three times.

According to the changes in the legislative decree no. 231/2001, the company has updated and approved the organisation and control model and the Code of Ethics.

The activities of Committee of inspection have been: analysis of safety report provided by each plant directors, control of employees periodic training, diffusion of model and supervise the activities concerning the "stress work related".

## **10. Auditing of accounts**

On 19/04/2007 has been conferred to the company Reconta Ernst & Young the task of auditors of accounts until the annual balance sheet as of 31/12/2010.

## **11. The manager responsible for preparing the company financial statements**

Mrs Elena Casadio has been appointed by the Board of Directors as the manager responsible for preparing the company financial statements.

## **12. Transactions with related parties**

According to art.4 of Transactions with related parties Rule adopted by Consob with resolution n.17221 of 12 March 2010, the Board of Directors has predisposed (Resolution of the Board of Directors 30<sup>th</sup> November 2010) a new procedure for the management and approval of transactions with related parties; this procedure will be effective, according to the normative, by 1<sup>st</sup> January 2011, this procedure is available on the company's internet web site.

### 13. The Board of Auditors

The Shareholders' Meeting elects a Board of Auditors consisting of 3 active Auditors and 2 temporary ones.

The shareholders, who, even put together, hold a total of quota of shares capital according to Consob's Rule, are entitled to present slates of External Auditors to elect. The slates must be delivered directly to the Registered office or sent by registered mail with return receipt or by certified e-mail addressed to [ircespa-pec@legalmail.it](mailto:ircespa-pec@legalmail.it), along with a currently valid identification document of the shareholder delegating the proxy, at least 25 days prior to the date of the first call for the Meeting. The slates must include information on the identity of the Shareholders presenting them, with the indication of the overall percentage of share capital held; a declaration of the shareholders other than those who hold, even jointly, a controlling or relative-majority equity interest, certifying the absence of relations of connection as defined by article 144-*quinquies* of the Issuer's Regulations with such shareholders; a complete report on the personal and professional characteristics of the candidates; a declaration of such candidates, certifying the possession of the requisites prescribed by the applicable laws; and their acceptance of the nominations.

The Candidates can not covering already appointments as active Auditor in the other five listed company or having no requirements of honourableness and professionalism or covers other tasks of administration and control in the companies indicated on the Book V, Title V, Capi V, VI and VII of code civil more that maximum limit fixes by law cannot be put in the candidates lists.

Nowadays the Board of Auditors being in charge up to annual balance-sheet 2010 is composed by:

BOARD OF AUDITORS								
Members	Office held	In office from	In office to	List	Indep. Code	As per	Participation C.I	Number other appointments
Leonello Venceslai	Chairman	23.04.08	Balance approval 2010	Majority	x		100%	
Stupazzini Franco	Regular Auditor	23.04.08	Balance approval 2010	Majority	x		100%	
Zappi Gianfranco	Regular Auditor	23.04.08	Balance approval 2010	Majority	x		100%	
Garuti Massimo	Alternate Auditor	23.04.08	Balance approval 2010	Majority	x			
Galli Davide	Alternate Auditor	23.04.08	Balance approval 2010	Majority	x			

The qorum for the last shareholders list for Board of Auditors appointments was 2,5%. During the year 2010 the Board gathered 7 times.

### 14. Relations with Shareholders

Internally to the company has been established a function to provide a constant relation with the investors and the shareholders – *The Investor Relator-Mr. Gianfranco Sepriano tel .0039 0382 77535 – e-mail [Gianfranco.sepriano@irce.it](mailto:Gianfranco.sepriano@irce.it)*

In order to guarantee a complete and uninterrupted communication with the shareholders all press release and all the periodic financial statements are available on the internet website [www.irce.it](http://www.irce.it)

## **15. The Shareholders' Meeting**

Can take part to the shareholders' meeting the Shareholders who present the specific certifications as indicated on art. 33 and art. 34 Deliberation Consob n.11786 of 23.12.98, immediately issued by the intermediaries of Monte Titoli Spa and delivered to the company at least two days before the shareholders' meeting

The Shareholders' Meeting has adopted the "rules for shareholders' meeting" as requested from art.12.4 from the Code of conduct for Listed Companies, available on the company website.

Imola 15<sup>th</sup> March 2011

## ATTACHMENT 1

### ***Main characteristics of risk management and existent internal control management in relation to financial information processing according to article 123-bis, part. 2 b) TUF.***

IRCE SPA has defined a risk and internal control management system for financial information processing.

The purpose of financial information processing may be identified in the reliability, accuracy, dependability and timeliness of the information itself. In fact, the risk management process is an integral part of the internal control system.

IRCE SPA has implemented and kept updated a range of administrative and accounting procedures in order to guarantee a highly reliable internal control system for financial reporting.

The company used the Co.S.O Framework model as a reference.

### *Description of the main characteristics of risk management and existent internal control management in relation to financial information processing.*

The control objectives, used to contrast any possible errors/fraud that may occur during start-up, registration, transaction management and representation have been identified by IRCE, which takes the following into consideration:

- important accounts. In other words, balance sheet items that are individually significant in all material respects
- administrative and accounting processes that generate important accounts, identified as indicated above
- the relevance of the above-mentioned processes, identified by each company belonging to the consolidation area.

IRCE SPA has determined an operating period, in terms of the affect of material respects, that important accounts and administrative-accounting processes and their combinations have on the consolidated balance sheet for each company in the Group.

IRCE has performed scoping activities, allowing it to:

- identify significant Material Control Units according to the provisions indicated in ex. Law 262
- identify "sensitive" processes for each Material Control Unit according to the provisions indicated in ex. Law 262
- classify the processes based on expected risks (analysis based on the impact of materiality of error/fraud on important balances)

Important account selection was determined using a calculation of the Group's materiality threshold. The calculation was made through the use of a benchmark with the threshold being

Report on corporate governance and ownership structure

the lesser between 1% equity, 0.5% sales proceeds, 5% earnings before taxes and 0.5% total activity.

In order to confirm the company sphere and process that derives from an analysis made in terms of material respects, the company has also made the successive qualitative checks.

The inherent risk profile in each process and linked controls used as safeguards were identified when applying this model. The procedures and control grids for each process considered sensitive according to the above-mentioned criteria were also formalized.

The company plans on doing the following every year:

- monitor the processes that strongly contribute to feeding the accounting entries of the consolidated balance sheet
- define and perform test plans
- guarantee that detected critical situations are overcome

Control tests were performed during 2011 on the purchase procedure and pay roll and human resources procedure. These tests did not demonstrate any critical situations in the procedures adopted by the company.

The subsidiaries of the IRCE SPA Group are each responsible for their own internal control system regarding the financial reporting processes. The company CFO is responsible for assuring compliance to the standards established by law 262 through a reporting process defined by headquarters.

The relative manager is responsible for process mapping and control identification.

Testing was performed by the person in charge of Internal Controls.

Testing and improvement plan results (corrective actions) are defined and shared with the President of the Board of Directors immediately.