

Engagement with business partners

We believe that working closely with our global supply chain and dealership network is crucial to achieve the high level of quality that we expect in our products, services and operations. Establishment of partnerships, dissemination of best practices and collaboration on several topics (technological, environmental and social) are the ways the Group engages its business partners.

Supplier profile

Suppliers are strategic allies who support our creation of successful and exciting vehicles that deliver best-in-class quality, innovation and performance to our customers. We believe that cooperation is what makes the difference. **Our supplier relationships go beyond the purely commercial sphere and include a mutual understanding of what it takes to promote good practices and pursue responsible and sustainable development.** This is demonstrated throughout the year and at such events as Group Purchasing's Annual Meetings that include recognition of suppliers for exemplary performance. Today, globalization requires leading supply chain management methods that ensure the **widespread incorporation of sustainability criteria in the management, training, selection and engagement of suppliers;** in so doing, these practices help to limit exposure to unexpected events and supply disruption while building long-term core competence. **Group Purchasing** is the Fiat and Chrysler organization responsible for supplier management by setting global purchasing strategies as well as developing an integrated worldwide process. This organization works with peers and counterparts to integrate key environmental, social and governance considerations into its global purchasing processes, thereby enabling responsible and sustained economic success for the extended Group enterprise.

The ultimate governance of strategy in relation to supplier management lies at the highest level of the management organization.

The Group evaluates the effectiveness of its management approach through external audits and feedback from various stakeholders. In 2013, all information related to the model for sustainable management of the supply chain was assessed by SGS by means of a high level audit as per the AA1000 and Assurance Standard principles, which did not find any gaps in the management approach. Further improvement is expected by continuous application of the new KPIs related to an extensive supply chain monitoring process.

Furthermore, media monitoring, stakeholder commentaries and other public information gave no reason for concern, as reported by the rating agencies responsible for assessing the Group's supply chain management processes.

In 2013, Group Purchasing managed approximately €44.5 billion⁽¹⁾ in purchases through a supply base of 2,884 companies (direct material suppliers). **The top 184 supplier parents producing roughly 57% of the total purchase value were identified as key suppliers.**

⁽¹⁾ Value of purchases from direct and indirect material suppliers totals roughly €55.4 billion.

Through a formal supplier classification process, the Group identifies its strategic suppliers on the basis of the following criteria: allocated spending amount; production and spare parts capacity; the absence of technical and commercially viable alternatives; and the percentage of Group procurement orders in comparison to the suppliers' annual turnover.

Approximately 69% of the direct material purchase value is for plants in the NAFTA region, 19% for plants in EMEA, and 12% for LATAM. Roughly 73% of direct material suppliers are located in NAFTA, 19% in EMEA, 3% in LATAM, and 5% in APAC (percentages refer to the monetary value of direct material purchases managed by Group Purchasing).

In 2013 the Group added 442 new suppliers, and a very small number of supplier relationships were terminated. Additionally, there were no significant changes in our supply chain's structure nor any notable outsourcing activities. Starting in 2014, the Group will begin to utilize our re-qualification process to monitor changes in the location of suppliers' plants from one country to another.

Although the Group does not purchase raw materials directly (with the exception of steel and other metals used for direct production), it monitors overall consumption and price trends.

The Group is aware of the impacts of its operations on local economies, and **is therefore committed to providing equal opportunities for multicultural businesses in the selection and qualification processes**. Group Purchasing leverages its existing and long-standing supplier relationships and regularly seeks to understand and support their issues.

In general, the selection of suppliers is an operational phase of the sourcing process categorized by commodity group (e.g., direct materials; capital expenditure and indirect materials; and services), each of which is regulated by specific procedures.

Whenever possible, we utilize local suppliers at major locations of operation (based on the amount of spending allocated) in order to generate direct and indirect income and employment opportunities in the communities where the business is located; this also serves to minimize transport-related environmental impacts. The term "local suppliers" refers to suppliers operating in the country where a Group plant is located. Enhancing skills and building industrial capacity through local content favor economic and social growth for local communities.

In addition, the Group constantly monitors and manages any critical situations arising in the automotive supply chain to ensure prompt detection and mitigation of potential disruptions. Resolution actions may entail providing support for restructuring plans and, where necessary, temporary cash-flow support with the objective of ensuring supply continuity and preserving jobs if possible. In some cases, such actions are taken jointly with other automakers.

Highlights

Group Purchasing worldwide

2013

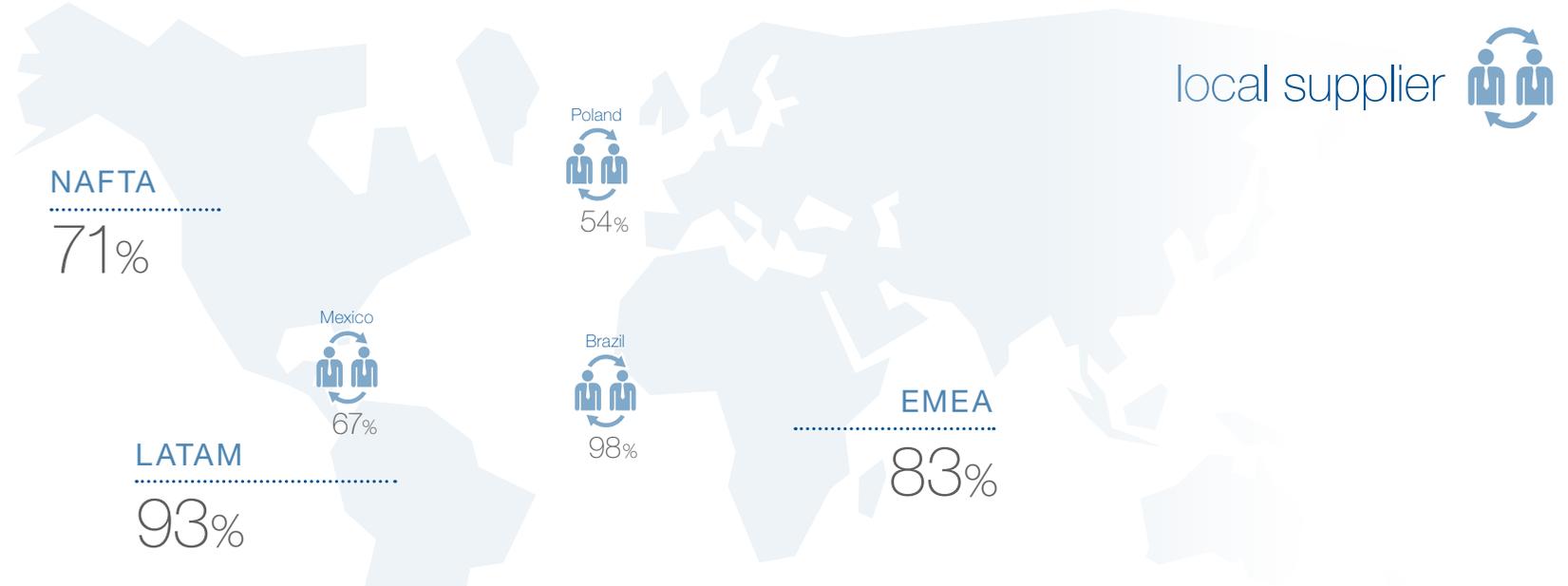
Direct and indirect material purchases managed by Group Purchasing ⁽²⁾ (% of total Group purchases)	approx. 95
Direct material suppliers (no.)	2,884
Concentration of direct material purchases (% of purchases from top 184 suppliers)	57
Value of purchases from direct material suppliers ⁽³⁾ (€ billion)	44.5
Value of purchases from indirect material suppliers ⁽⁴⁾ (€ billion)	10.9

⁽²⁾ Refers to the monetary value of purchases managed by Group Purchasing.

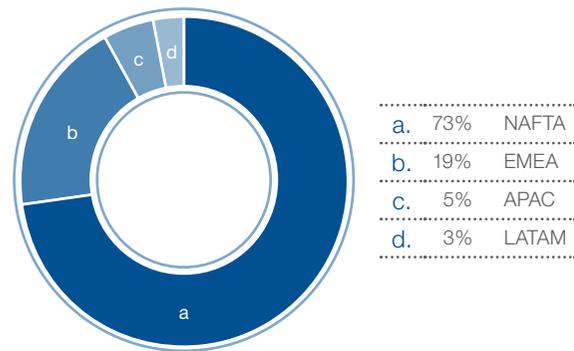
⁽³⁾ Direct materials are pre-assembled components and systems used in assembly.

⁽⁴⁾ Indirect materials are services, machinery, equipment, etc.

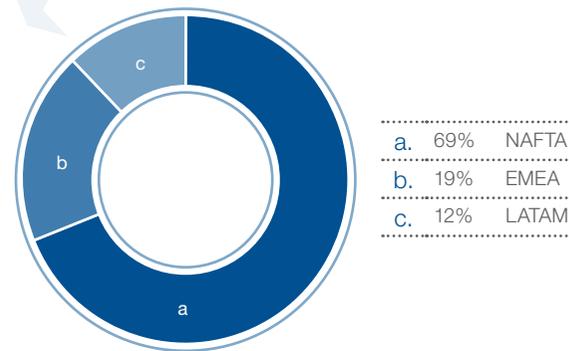
Concentration of Group Annual Purchase Value (APV) on local suppliers at major locations of operation and by emerging markets⁽⁵⁾



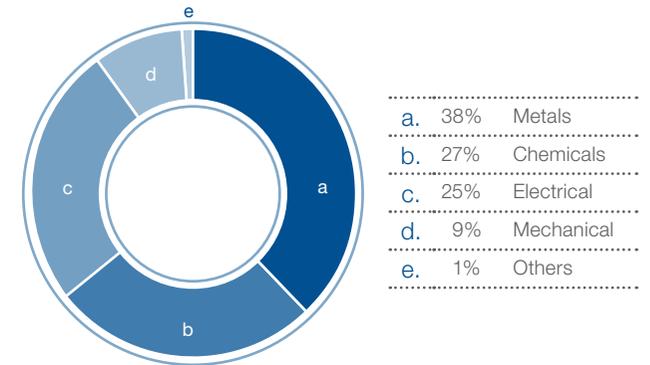
Purchases⁽⁶⁾ by origin
Group Purchasing worldwide



Purchases⁽⁶⁾ by destination
Group Purchasing worldwide



Purchases⁽⁶⁾ by type
Group Purchasing worldwide



⁽⁵⁾ Refers to markets where Group plants are located (source for "Emerging Markets": Dow Jones Indices Country classification system, effective September 2011).

⁽⁶⁾ Refers to the monetary value of direct material purchases managed by Group Purchasing.

Supply chain standards

We are committed to ensure impartiality and equal opportunities for all parties involved in the supplier selection process. Suppliers are selected based on the quality and competitiveness of their products and services, and on their respect of social, ethical and environmental principles. This commitment is a prerequisite to becoming a Group supplier and developing a lasting business relationship with the Group. For this reason, and **in order to address, prevent, and mitigate any potential impacts, contractual clauses have been progressively introduced since 2009**, and the new agreements require suppliers to comply with both the Group's code of conduct and specific Sustainability Guidelines.

Suppliers must duly carry out business activities according to the ethical standards and procedures in force in the country/countries in which they operate, and as set forth by the code of conduct and Sustainability Guidelines.

Should a supplier fail to follow these principles, the Group reserves the right to terminate the business relationship or require the supplier to implement a corrective action plan, to be verified by audit. **Compliance with environmental, social and governance clauses is required in 100% of new agreements** (General Terms and Conditions). For the sake of clarity, the above clauses are also included in new agreements (in addition to the General Terms and Conditions) regarding each specific project.

Supplier Sustainability Guidelines are available on the Supplier Portal and on the Group corporate website. They focus on the following principles:

■ Human rights and working conditions

- rejection of the use of forced or child labor in any form
- recognition of the right to freedom of association in accordance with applicable laws
- freedom from harassment and discrimination
- safeguarding of employee health and safety
- guarantee of equal opportunities, fair working conditions, appropriate working time, equal compensation, and the right to training for employees

■ Respect for the environment

- optimization of the use of resources
- responsible waste management
- elimination of potentially hazardous substances from the manufacturing process
- development of low environmental impact products
- use of an environmentally sustainable logistics system

■ Business ethics

- high standards of integrity, honesty and fairness
- prohibition of corruption and money laundering.

Group Purchasing monitors supplier compliance with the Guidelines through a Sustainability Committee ("the Committee"). The Committee's role is to review performance and to identify the appropriate actions for non-compliant suppliers in order to prevent and mitigate actual and potential adverse impacts. The Committee consists of the Processes Compliance manager, the Head of the Group Supplier Engineering Unit, and the General Counsel. The Group is committed to ensuring that all new Fiat and Chrysler purchase agreements regularly incorporate contractual clauses on adherence to Sustainability Guidelines.

Assessing potential suppliers

In 2013, the Group adopted a new supplier assessment system which strengthened the criteria relating to sustainability. The SEA (Supplier Eligibility Assessment) identifies suppliers' strengths, weaknesses and capabilities to produce a product of the required quality, performance and cost, and whether a supplier has the potential to be a high-performing supplier for the Group. The SEA is a single-purpose tool to assess those suppliers who are not currently providing parts or services for the Group. The evaluation is done through a dedicated process assessing new suppliers or those suppliers that experienced a change in their organizational structure, location, commodity produced, manufacturing process, or technology. The SEA may also be used in situations in which the supplier's location has not delivered products for more than 24 months. The SEA is required well before the sourcing phase even if the Supplier has already been assessed for other families, products, or commodities. This allows all potential new suppliers to be included in a source package. Suppliers are also required to adopt a Code of Conduct or Code of Ethics, governing matters such as respect for human rights and anti-corruption measures, and to implement certified systems for Health and Safety Management and for Environmental Management. Additionally, suppliers must provide evidence of the existence of process and product quality improvement processes; training courses to expand the skills of their internal staff; and adequate and comprehensive sub-tier supplier development methods.

The SEA consists of an audit carried out at the supplier's facility, and is generally preceded by the completion of a Supplier Data Profile. Subsequently, if required, a Gap Analysis document may be created to define corrective actions, responsibilities, and target dates for resolution of all identified items. **Twenty new suppliers were evaluated in 2013 through this process. In general, 100% of new suppliers are evaluated according to sustainability criteria by means of the Supplier Eligibility Assessment and the self-assessment questionnaire.**

Supplier assessment process

We aim to prevent or mitigate any adverse environmental or social impacts that are directly linked to our business operations, or by products or services from a business partner. Suppliers play a key role in our business continuity, and can significantly impact public opinion of how responsible the company is in the social and environmental spheres. We recognize that any adverse events within the supply chain can have a direct, material impact on production and economic performance – both for the company and the supplier – and may affect our collective reputation. In order to prevent or mitigate environmental or social impacts, we seek to preemptively leverage our long-standing and cooperative supplier relationships.

Responsibility for supplier assessments is assigned to the Supplier Quality department and at the operational level to Supplier Quality Engineers.

In order to preempt any sourcing risks, we developed a risk map to identify critical suppliers whose compliance with sustainability criteria must be monitored. The four primary risk drivers used to create this map were:

- supplier amount of business
- country risk associated with the supplier's location, with particular emphasis on poor human rights records
- supplier financial risk
- sustainability history.

Manufacturing locations and commodities are also considered in the analysis. The risk map, which covers all suppliers with annual purchase volume, classifies suppliers as high-, medium- or low-risk. A score between one and three is assigned to each driver. The final score is a weighted average of the risk drivers and defines the overall level of supplier risk.

The Group then assesses supplier compliance with sustainability criteria through self-assessment questionnaires. In 2013, Chrysler Group teamed up with AIAG, other OEMs and several suppliers to create an industry standard tool, the **Supplier Sustainability Self-assessment (SSSA)**. This tool has a three-fold purpose: to communicate our expectations of suppliers, to determine the level of sustainability activity within the supply base, and to create an efficient and effective tool that reduces the burden of multiple and similar information requests received by suppliers. Chrysler Group was the first company to launch the SSSA, with other companies following their own internal timelines. A Tier 2 pilot began in the fourth quarter will be expanded in 2014 to better understand and respond to needs within that level of the supply chain. Overall, **this systematic screening through questionnaires covers supplier operations based on environmental, labor practice, human rights and social criteria**. In 2013, about **1,200 suppliers completed the self-assessment questionnaire, representing approximately 43% of total purchase value for the year**. Suppliers that completed the questionnaire scored 79/100 on average. We conduct audits if the outcome of self-assessment questionnaires requires further investigation.

Building on last year's self-assessment questionnaires, 72 audits were performed in the EMEA, NAFTA and APAC regions (of which 38 were conducted by Group Supplier Quality Engineers and 34 by a third party auditor). These audits did not reveal any particularly critical situations; no contracts were suspended or canceled, and no suppliers were placed on probation. However, corrective action plans for certain areas in need of improvement were developed in collaboration with suppliers. Specifically, **in 2013, approximately 143 joint action plans were initiated for about 28 suppliers as a result of the audits**. The analysis of the action plans was performed on 47 audits, while for the remaining 25 audits this will be completed in 2014. No significant issues have arisen during these audits.

To verify performance and progress, action plans are monitored regularly. **All audits are announced and coordinated with suppliers**. The Supplier Sustainability Committee established within Group Purchasing is also involved in the development of these plans. The Committee defines remedial actions, taking into consideration the impact of such actions on the workers, the community, and more generally, on the supplier's stakeholders. In the event of extreme cases of non-compliance, the business relationship with the supplier may be terminated.

Suppliers' levels of compliance and required action plans are reported in the Supply Quality Performance (SQP) system. The SQP system records the outcomes of self-assessment questionnaires and on-site audits, and divides suppliers into three groups: compliant (green code); compliant with identified area of improvement (yellow code); and non-compliant (red code). Results can be viewed monthly by all employees responsible for supplier management. The SQP system updates the Bid List which indicates the quality and sustainability rating of suppliers eligible to be quoted for a business opportunity. Bid List data are processed in the Summary By Plan document, which gathers detailed information on quality, financial risk and sustainability, as well as an index of World Class Manufacturing application levels for each supplier. Final ratings are a determining factor in awarding business and can be viewed by all Group employees responsible for supplier management.

Any significant actual or potential negative impacts requiring investigation, based on the outcome of the 2013 self-assessment questionnaires, will be managed in 2014 through on-site audits.

Self-assessment questionnaires

Group Purchasing worldwide

	2013	2012	2011 ⁽¹⁾
Suppliers sent self-assessment questionnaires (no.)	2,051	1,522	1,924
Suppliers responding to questionnaire (%)	59	71	64
Average score	79/100	85/100	87/100
Purchases ⁽²⁾ by value covered by questionnaires (%)	43	55	37

Audits

Group Purchasing worldwide

	2013	2012	2011 ⁽¹⁾
Sustainability audits (no.)	72	89	51
performed by Group personnel (Supplier Quality Engineers)	38	42	37
performed by a third party	34	47	14
Purchases ⁽²⁾ by value covered by audits (%)	5	7	1

⁽¹⁾ Data includes Chrysler Group for the full year.

⁽²⁾ Value of direct material purchases managed by Group Purchasing.

Environment across the supply chain

Suppliers are screened to verify a wide array of environmental aspects. During the inspections, the auditors verify the presence and certification of an environmental management system. In addition, we encourage suppliers to develop in-company standards or guidelines providing direction on all topics in this area. In addition to the aspects mentioned above, our environmental due diligence process also determines whether suppliers are adequately managing **water consumption and discharge, waste (recycling and waste disposal), and the use of recycled materials**. Lastly, we stay informed on supplier engagement in protecting **biodiversity**, since one of the Group's environmental missions is to preserve the variety of plant and animal species in all areas of operation.

In working toward full compliance with REACH, our direct suppliers are required to use chemicals whose contents meet our current standards for the **management of hazardous substances** as closely as possible. We also examine the supplier's use of the **LCA (Life Cycle Assessment) method**.

If we discover through the self-assessment that the supply chain is causing a negative impact on the environment or has the potential to do so, the Group conducts thorough on-site audits to examine the supplier's environmental management methods – or lack thereof. These audits include a rigorous inspection of: proper environmental management system documents and their mode of distribution in the work environment; the person responsible for ensuring compliance with the environmental management system; how information or training programs are provided to employees; engagement with environmental protection organizations; goals set to improve environmental performance; and any environmental certifications in possession. In order to prevent, mitigate or redress a negative impact encountered during inspection, a joint action plan is defined with the supplier.

Based on results of self-assessment questionnaires, **78 suppliers were identified in 2013 as creating – or at risk of creating – a significant potential negative environmental impact** specifically in the areas of greenhouse gas emissions management, environmental training, recycled and/or sustainable materials use, biodiversity and measures to verify responsible environmental practices of their suppliers. **In addition, we implemented action plans for about 17% of audited suppliers⁽¹⁾ (i.e., 8 action plans about the definition of a formal Environmental Management System for 8 suppliers), as follow-up to the 2012 self-assessment process. No contracts were canceled.**

We recognize the importance of supplier collaboration for improving the environmental sustainability of their products and processes, so we provide comprehensive support through a variety of initiatives.

For example, **in an effort to raise the awareness of suppliers on climate change issues, with a particular focus on the reduction of their greenhouse gas emissions, 68 suppliers were invited to participate in the Carbon Disclosure Project (CDP) Supply Chain program in 2013. Forty-five suppliers disclosed (66% response rate), attaining an average disclosure score of 68 and an average performance band of C.** As evidence of their commitment to drive down carbon emissions, the Group suppliers that responded to the CDP Supply Chain survey eliminated approximately 39 million tons of CO₂ equivalent in 2012. The CDP Supply Chain program is an annual process that yields consistent information from suppliers on climate and water-related strategy and action.

After a pilot with CDP Supply Chain, we are planning to work more closely with our suppliers in the coming years to increase our collective emissions reduction and climate change mitigation efforts.

⁽¹⁾ The percentage is calculated based on the number of 47 suppliers audited. The analysis of the action plans for the remaining 25 suppliers audited will be completed in 2014. No significant issues have arisen during these audits.

The Group believes that water scarcity could impact business continuity and that water conservation is becoming increasingly important, involving both peers and business partners alike. For this reason, we are consulting with selected Tier 1 suppliers on ways to develop a mutual water stewardship strategy in water-stressed areas. In addition, in 2013 we added questions to the supplier self-assessment questionnaire specifically aimed at preventing and detecting risks related to water usage in the supply chain. The questionnaire gathers information on:

- water policy, strategy or management plan
- specific water-related targets or goals
- water policy, strategy or management plan focused on discharge water quality improvement
- quantitative data on water withdrawal, recycling/reuse and discharge
- bodies of water, wetlands or natural habitats affected by operations due to water discharge or withdrawal and
- operations located in water-stressed areas.

This collaborative approach will foster innovative thinking and will help to identify specific risk factors, forming the basis for a second-level risk map, which is a goal for 2014.

To help manage environmental aspects related to vehicles and components, the Group uses the **International Material Data System (IMDS)**. Suppliers are required to submit detailed information on the materials and substances used in their components through this on-line platform so that hazardous substances can be traced back to the specific component. We thus are able to work with suppliers to reduce, control, or eliminate the hazard. A total of 88,000 data sheets were completed in 2013 for Group vehicles.

Fiat and Chrysler Suppliers – CDP Supply Chain summary results

Average supplier response rate: 66%

39 million tCO_{2eq} of emissions reduced

€325 million was saved as a result of emissions reduction initiatives

91% of suppliers who responded integrate climate change into their business strategy

76% of suppliers who responded have emissions reduction targets

87% of suppliers who responded report emissions reduction initiatives

38% of suppliers who responded propose collaboration projects

The system also covers information on recycled material content. This feature facilitates the analysis of raw and recycled material consumption trends, as well as the evaluation of the environmental implications of replacing certain materials or substances, thereby enabling recyclability and recoverability calculations.

Suppliers are therefore involved in product development; the Group has a general quality specification under all supply contracts indicating every material's adherence to environmental, health and safety requirements, including ingredients, formulas' ingredients and handling procedures where relevant.

Human rights and labor practices across the supply chain

Ensuring that business partners abide by international human rights regulations and labor laws can be challenging in a complex supply chain.

Suppliers at every tier of the supply chain carry much of the management responsibility, but **we are aware of the significant role we can play in preventing human rights violations and providing for sound working conditions**. Our approach over the years has been built on systematic assessments and competency-building initiatives.

Self-assessment questionnaires used to verify the suppliers' management system **also address their performance and progress in guaranteeing basic human rights, health and safety in the workplace and fair working conditions**. Suppliers are expected to comply with all applicable local laws but **we also verify whether they have publicly endorsed international charters or guidelines** (such as the Universal Declaration of Human Rights, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, or the OECD Guidelines for Multinational Enterprises).

Similarly, **other aspects explored** through our assessment process **encompass** whether a supplier employs workers through a contract, if a process has been implemented within the organization to monitor **labor standards** and **overtime hours**, and whether **minimum wage levels** have been established.

Since one of the Group's commitments is the ongoing development of its workforce, **we also require feedback on how training and development activities are carried out within the supplier's organization**.

In addition to all aspects mentioned above, our self-assessment tool also checks whether procedures exist to ensure that workers are not discriminated against and that harassment and intimidation are not tolerated in the workplace.

Suppliers are also expected to establish an occupational management system, systematically assess occupational health and safety risks; measure performance by key indicators; and extend their health and safety policies to their contractors.

Lastly, **appropriate steps must be in place to prevent child labor and forced or compulsory labor, and to ensure freedom of association and collective bargaining rights**.

If warned of potential or increased risks, we conduct thorough on-site audits aimed at providing insights into any concerns that may have arisen. **Through the self-assessment questionnaire, 80 suppliers were identified in 2013 with either current or potential significant human rights and labor practices issues**, specifically for the following areas: human rights and labor practices addressed through supplier code of conduct and monitoring of responsible working conditions; contractual requirement to their own suppliers for compliance with labor and human rights laws and regulations; and health and safety management. The findings also included one evidence of potential negative impact for child and forced labor due to the lack of a dedicated management procedure. Consequently, the supplier has been submitted to an audit and a targeted action plan has been implemented.

No potential negative impact has been identified for the right to exercise freedom of association or collective bargaining.

In addition, after the audits performed following the 2012 self-assessment process, **58 action plans were implemented for 21 suppliers (about 45% of those audited) for labor practice issues** (concerning evidence of workplace safety documentation, training activities, adoption of a dedicated management procedure for harassment, health and safety performance, overtime monitoring) **and 32 action plans for 18 suppliers (roughly 38% of suppliers audited) were developed for human rights topics** (additions to the code of conduct, ensuring freedom of association rights, adoption of a dedicated management procedure for child labor). **No contracts were canceled⁽¹⁾**.

Ensuring commitment and compliance to human rights and fair working conditions can be particularly challenging beyond the Tier 1 level due to reduced transparency and a lack of contractual relationships. Therefore, in 2013, the training course on working conditions that has been provided in recent years to Tier 1 suppliers has been extended to roughly 100 Tier 2 suppliers. We plan further deployment through our Tier 1 suppliers in 2014. These actions will help develop new approaches and further commitment throughout the multi-tier supply chain.

⁽¹⁾ The percentage is calculated based on the number of 47 suppliers audited. The analysis of the action plans for the remaining 25 suppliers will be completed in 2014. No significant issues have arisen during these audits.

Conflict Minerals

The global challenges of today's automotive supply chain encourage working with peers to address ethical and social sourcing risks arising from the multiple layers of suppliers over a global supply chain. In collaboration with the Automotive Industry Action Group (AIAG), the Group has developed strategies addressing Section 1502 of the Dodd-Frank Act, as well as subsequent rules promulgated by the US Securities and Exchange Commission, regarding conflict minerals. The rule requires companies to determine whether tin, tantalum, tungsten, or gold (3TG) in their supply chain originated from the Democratic Republic of the Congo (DRC) or surrounding countries, and if the sale of those minerals supported the armed conflict in the DRC. The Group has used a cross-industry reporting template to survey the supply base about the origin of 3TG used in their products.

In addition, the Group has supported AIAG in creating a common automotive process to obtain conflict minerals reporting information. Our streamlined approach includes common reporting using the iPoint Conflict Minerals Platform (iPCMP), a web-based data-management tool based on the Conflict Minerals Reporting Template. **We ask suppliers to provide us with the smelter information for the tin, tantalum, tungsten, and gold in their products and ensure those minerals are not supporting the armed conflict in the Democratic Republic of the Congo.** The Group is collaborating to create a single policy and will continue working together especially in light of likely future European regulations. Being subject to US Securities and Exchange Commission (SEC) regulation, Chrysler Group will be filing their conflict minerals report with the SEC in May, 2014. Fiat, however, will not be filing a report as it is not subject to the SEC rule.

The Group has adopted the iPoint Conflict Minerals Platform (iPCMP), a web-based data-management tool based on the EICC/GeSI reporting template. This tool has been launched, allowing streamlined reporting to multiple customers. The tool asks suppliers to provide smelter information for the 3TG used in their products. Smelter information can be used to determine whether the 3TG came from a conflict-free source. By determining this information, the Group fulfills its due diligence obligation under the SEC conflict minerals rule.

These steps are being pursued both in collaboration with AIAG and also with a Chrysler Group-specific targeted approach for maximum efficiency and effectiveness. The coordinated efforts will help promote responsible mineral sourcing practices. Part of that targeted approach includes guidance and training provided during Supplier Training Week (over 600 suppliers trained in the US and Mexico).

Supplier diversity

In 2013, Chrysler Group received the inaugural Company of the Year Innovation Award from the National Minority Supplier Development Council (NMSDC). The newly-created Innovation Award "recognizes a new corporate method, initiative or process to accelerate and positively impact minority supplier development in support of NMSDC's vision, mission and core capabilities – certify, develop, connect and advocate – with particular emphasis on professional services and non-traditional categories."

Chrysler Group was selected to receive the award for the accomplishments of its High Focus Supplier program. **Since 1983, Chrysler Group has purchased more than €38 billion from minority-owned suppliers.** The High Focus Supplier Program is a best practice that creates a win-win for Chrysler and our suppliers, and serves as an example of supply chain innovation. The High Focus program, established in 2011, focuses on suppliers with greater potential for diverse spend and equips them with the tools and support to achieve their diversity targets. The diversity spend status of each supplier is monitored monthly and reviewed quarterly with the supplier. **Since the program's inception, 143 suppliers have improved their minority purchasing by more than six times or €644 million.** Chrysler Group is believed to be the only automaker to include diversity sourcing performance at Tier 2 level as a criterion on a supplier's scorecard.

Another Chrysler Group innovation designed to expand opportunities for minority suppliers is its **Matchmaker program**. Having completed its 14th year, the annual Matchmaker event provides minority-owned, women-owned and veteran-owned businesses access to Chrysler Group's Tier 1 suppliers and to decision makers in the company's procurement and affiliated organizations. **The program has generated more than €1.5 billion in new business opportunities for exhibitors since 2000.** As the premier networking trade event in the automotive supplier community, the 2013 Matchmaker event attracted more than 3,000 participants. More than 270 minority-owned, women-owned and veteran-owned Chrysler Group suppliers participated in the day-long event.

Chrysler Group spent €3.9 billion with minority suppliers in 2013, representing 16.8% of its total annual purchasing value. Women-owned businesses, which are tracked separately, accounted for €358 million of the company's spending.

Chrysler Group continues to support several organizations that assist Tier 1 suppliers in achieving their minority-owned and women-owned sourcing goals. These organizations include the National Minority Supplier Development Council, the Canadian Aboriginal and Minority Supplier Council and the Women's Business Enterprise National Council. In addition, Chrysler Group supports veteran-business ownership through membership with the National Veteran-Owned Business Association. In 2013, Chrysler Group's Chief Procurement Officer was the Chairman of the Board of Directors of the Michigan Minority Supplier Development Council.

Impact on society across the supply chain

The Group does not tolerate unethical or corrupt practices by its business partners, since bribery and corruption undermine investments and distort international competition through direct, material impact on our business operations and on society's democratic institutions. Thus, the highest standards of integrity, honesty and fairness are a must for all business activities, and any form of bribery, corruption or money laundering is strictly forbidden. In order to prevent, mitigate or redress any negative impact on society by setting precautions in place, the Group performs a detailed spend analysis.

Monitoring changes in the financial situation of suppliers is a cornerstone of our supply chain management. A tool for different spending categories gives a clear picture of delivery data broken down by commodity and by supplier. Thus, **an economic risk analysis is regularly performed through the spend analysis process covering roughly 100% of annual purchase value of direct material suppliers.** Depending on the supplier's strategic role, the economic risk analysis may be performed annually, or more frequently if warranted. The evaluation is conducted based upon a supplier's public financial reports, where available, and/or of the management of confidential information for different key areas. In the Group's systems, the financial information of each supplier is recorded and a score is calculated. If the minimum threshold rating required is not reached, the supplier is placed on a financial watch list and can be eliminated from sourcing decisions. An action plan may be designed in order to identify the appropriate measures. **Troubled suppliers are managed through a dedicated process and weekly meetings are held with the relevant departments of all Group operating segments.**

In addition, due to our awareness of the corrosive effects of corruption on societies, **we constantly monitor suppliers' compliance with recognized business ethics standards through the self-assessment questionnaire and follow up with on-site audits if needed. Suppliers are expected to comply with all applicable laws on bribery and corruption, money laundering, infringement of data protection, insider dealing, conflicts of interest, anti-competitive behavior and unethical contract tendering.** Their approach to management should include policies, goals and procedures, as well as the review and evaluation of process risk to assure ethical operations and activities. Likewise, **they must not have had either pending lawsuits or passed rulings in the past year relating to these issues.** Since ethical business practice is more important than ever, our suppliers must continually review ethical values and policies and closely monitor their operations for potential issues; accordingly, their role in supply chain ethics is key. For this reason, training and awareness programs have been carefully designed – in some specific cases by working together with other automakers – to encompass numerous topics, such as working conditions, ethics and environmental footprint. We gauge their efforts and progress during our assessments by including specific questions on community development activities and, whether they have adopted social accountability standards or have implemented a process to measure and verify sustainability performance of their suppliers and sub-suppliers. In this way, we hope to champion more positive change and help strengthen communities and markets.

In 2013, **self-assessment questionnaires identified four suppliers as having – or risking – a significant negative impact on society** specifically in the area of supply chain management. Additionally, **based on audits conducted following the 2012 self-assessment process, we implemented 45 action plans about inclusion of monitoring activities and supply chain involvement for 18 suppliers (38% of suppliers audited⁽¹⁾); no contracts were canceled.**

⁽¹⁾ The percentage is calculated based on the number of 47 suppliers audited. The analysis of the action plans for the remaining 25 suppliers audited will be completed in 2014. No significant issues have arisen during these audits.

Ongoing dialogue with suppliers

The Group is continuously renewing its focus on supplier relations, thus constant engagement and communication are essential to helping the company to foster more positive, mutually beneficial relationships. Quality of relations was improved and relationships with suppliers have been strengthened as demonstrated by the many long-standing company-supplier relationships, and also confirmed by the limited number of lawsuits in 2013.

Many process and system improvements have been executed to help suppliers work with the company more effectively. A continuous dialogue is encouraged with suppliers at all levels of management, including forums such as the regional **Supplier Advisory Councils (SAC)**. These types of exchanges foster collaboration between the company and the supply base, and thereby improve partnership and enhance communication on initiatives, issues and opportunities. The SAC meets quarterly, and involves 15-20 suppliers that facilitate supplier feedback on specific topics. The Group also uses a **dedicated supplier internet portal** to share information on technical requirements, supply planning, supplier quality and the results of compliance tests conducted on new components. Suppliers can use the portal to communicate with the company, enter details of contract bids, specify the origin of components and update their contact information. The NAFTA web-based Supplier Portal also includes a section dedicated to sustainability, including best practice articles highlighting supplier initiatives that provide inspiration to companies early in their own sustainability programs. This section also fosters recognition of suppliers willing to share their success stories with other companies. As in previous years, initiatives for the exchange of ideas and information continued, including local conferences and **Technology Days (23 meetings in 2013)**, attracting an average of approximately 1,200 participants. At these events, leading suppliers in terms of innovation, technology, and quality address specific topics and share some of their latest technological developments. At Chrysler Group, regular **Supplier Town Hall meetings**, which are attended by an average of 500 suppliers either in person or via webcast, continued to be a major enabler of two-way communication.

Continuous improvement is also seen in **World Class Manufacturing Purchasing**, which, in collaboration with the World Class Manufacturing (WCM) team, continued providing its advice to suppliers intending to implement the WCM system. During the year, WCM was implemented at additional supplier plants, reaching a total of **300** supplier sites (of which **218** in EMEA, **70** in LATAM and **12** in NAFTA). This means they now apply what is considered to be one of the world's leading manufacturing standards to their own operations. A total of **five executive conventions** have been held to examine the status of application of the program and the commitment of the senior management that fuels it. Such sharing of expertise translates into on-site training provided to each of the supplier plants involved, with the support of Fiat Group WCM specialists, and benchmarking through visits to Fiat Group facilities arranged to share best practices.

In the **EMEA region**, in supplier plants where the implementation of WCM is more mature, significant results have been achieved mainly in the model area. In terms of safety improvement there was a **100% reduction of injuries in the model area and there was a 78% reduction in the total frequency index** (results from **best chemical supplier plant**). Moreover, in terms of **efficiency** improvement, there was a **16% reduction in HPV (Hour Per kit component of Vehicle)** from our **best chemical supplier plant** and an **18% improvement in Overall Equipment Effectiveness (OEE) of the bottleneck machine** from one of our **best metal supplier plants**. These results mean a better management of resources and, in the long run, increased business competitiveness. Furthermore, in EMEA by the end of 2013, a total of **88 WCM Audits** were conducted at **59 supplier plant locations**; of those 59 suppliers, **15 are located in Poland**. The audit is a method that allows application of consistent criteria for evaluating the production systems in both our plants and the supply base.

In the **LATAM region**, 70 suppliers were checked for implementation level and commitment. By the end of 2013 the integrated activity between the WCM specialists in Purchasing and Manufacturing has expanded and supplier improvement is increasing. Furthermore, approximately **2000 kaizen improvement projects** were initiated involving **44% of the suppliers' employees**. The results indicate that four supplier plants have achieved "Green" status and are ready to receive their first WCM audit.

In the **NAFTA region**, 12 suppliers were involved in the WCM program by the end of 2013. Overall these suppliers are committed, motivated and are initiating many WCM projects for mutual benefits. For 2014, the Group has an aggressive goal to have **22 additional contracts signed in the NAFTA region**. Together, plant manufacturing, the WCM Central team, and Supplier Quality are engaging and communicating with the supply base to help understand and support WCM in our plants. Also, approximately 500 supplier plants have participated in specialized training programs with the goal of extending the basic principles of WCM throughout the supply chain.

The Group works closely with many industry and supplier organizations to encourage dialogue. One such group is the **Automotive Industry Action Group (AIAG)**, which Chrysler Group helped found in 1982. The AIAG is a cooperative forum for the auto industry focused on improving business processes and practices involving trading partners and peers throughout the

supply chain. In addition to a leadership role on the Board of Directors and co-chairing the Corporate Responsibility Steering Committee, Chrysler Group employees are engaged in more than 40 work groups, many of which focus on sustainability issues within the supply chain, and on streamlining tools and metrics across the industry. Chrysler Group hosts **Supplier Training Week** three times per year covering numerous subjects, including sustainability-related topics such as responsible working conditions, environmental impact and ethics. Additional in-depth training on responsible working conditions is offered to suppliers in partnership with the Automotive Industry Action Group. This training was developed collaboratively with other automakers and is designed to help assure and protect the rights and dignity of the workers who make vehicle components. However, we are also committed to promoting entrepreneurial growth by providing entrepreneurs the practical capacity-building training they need, which enables subject matter experts to achieve a higher level of sustainability. With this aim, an on-site basic sustainability training course was delivered at Fiat headquarters to 13 select suppliers (17 individuals participated). The carbon emissions that resulted from travel to participate were entirely offset through the purchase of 15 equivalent credits under a forestry project in Italy (Po Delta Park).

To address existing and emerging sustainability issues, the **Supplier Sustainability Panel** was created. This stakeholder group represents a cross section of the supplier base with participants from companies of different sizes, footprints and commodities. Topics addressed include ways in which Fiat Group and its suppliers can work together on sustainability initiatives, gap assessment and resolution, benchmarking site visits, and training and communication throughout the supply chain. Also In 2013, **Fiat and Chrysler again honored top-performing suppliers during the NAFTA and EMEA Supplier Sustainability Award ceremonies**, by recognizing their outstanding achievement in social and environmental responsibility performance. **The top winners in 2013 were BASF for NAFTA and Brembo for EMEA.** These companies, and others, were recognized for their commitment in sustainability and the breadth and depth of their related initiatives and programs. **In the EMEA region, the QUALITAS event was ISO 20121 certified as a sustainable event, and all CO₂ emissions generated from it were offset through the purchase of 181 equivalent credits under a forestry project in Italy (Po Delta Park).**

Finally, the Group encourages supplier innovation through various initiatives to find ways to reduce costs. The **Technical Cost Reduction SUPER (Supplier Product Enhancement Reward) Program** is aimed at encouraging a proactive approach with suppliers by the mutual sharing of the economic benefits generated by proposing and introducing innovative methods and technologies. **In 2013, in the NAFTA and EMEA regions more than 350 ideas were implemented by suppliers, resulting in tangible cost reductions of about €39 million.** Moreover, the **Supplier Innovation Gateway**, whose goal is to stimulate innovative ideas leading to benchmark systems, provides a streamlined process to review, investigate, and approve supplier innovations in the NAFTA region.

Dedicated email addresses (sustainability_supplychain@fiat.com and sustainability@chrysler.com) represent another method for suppliers to request information or report events or situations of non-compliance in the supply chain; in addition to the specific channels identified by the Group companies for reporting a violation (or suspected violation). In 2013, no violations or suspected violations were received about environmental, labor practices, human rights and society impacts (see also Chapter 2, Labor practices and Human Rights paragraph).

Culture of sustainability

To ensure the awareness of sustainability and governance principles among employees who manage supplier relationships irrespective of their level or role, Group Purchasing's Human Resources disseminate the Code of Conduct and the values of good governance through periodic training and other information channels. The online training program aimed at raising awareness about the Group's Code of Conduct continued in 2013. It targeted Group buyers and Supplier Quality Engineers (SQE), involving 1,481 employees between 2009 and 2013. In 2013, the program was completed by all Group buyers and SQEs in LATAM and APAC, providing 381 hours of training to 381 individuals.

In 2013, a new training program on Health and Safety was launched in Italy involving all Fiat Group Purchasing employees to enhance their knowledge and strengthen their technical capabilities related to these issues: 9,128 hours of training were provided to 908 employees.

Further, with the aim of broadening accountability toward sustainability goals, these are incorporated on a yearly basis in performance management processes and systems for approximately 210 Supplier Quality Engineers and their teams. In so doing, we are able to measure their commitment and responsiveness toward supplier sustainability management.

Dealer and service network

The Group considers our dealer network to be a key business partner: they represent an important direct link between the Group and its customers. The dealer network plays an important role in creating and enhancing customer satisfaction. Through the skill and expertise of our dealership personnel, the Group can maintain an open and trusted relationship with the owners of our vehicles. To this end, extensive and varied training is offered not only to expand the skills of those working within the dealer network, but also to foster their involvement in building the Group's success and competitive position in the marketplace.

We also work with them to implement several initiatives aimed at increasing their awareness on sustainability issues and reducing the environmental footprint of sales and service activities, while reducing related operational costs.

Reducing environmental impact

Reducing the environmental impact of the dealer network is one way the Group approaches sustainability issues across the entire value chain. Working together with dealers toward this goal is also an opportunity to establish dialogue with customers, touching on all aspects of the Group's commitment to sustainability.

The Group dealer network consists of company-owned and privately-owned sales points in more than 150 countries. The Group is committed to support the monitoring and progressive reduction of the environmental footprint attributable to the network, despite the fact that it only has operational control over company-owned dealerships and that the majority of the dealer network is privately-owned.

To reach this goal, in 2013 the Group continued to develop and expand methods and initiatives in different regions, based on local network characteristics.

Actions taken or proposed at dealerships were mainly related to increasing awareness on sustainability and reducing energy consumption, and subsequently, total emissions generated on-site or at the source.

New goals have been set for 2017 in order to support this commitment.

In the EMEA region, company-owned dealerships represent 2% of the total Group dealerships in terms of number and 5% in terms of surface area. In 2013, the Group focused on defining actions for all company-owned dealerships in Italy, which cover an area of 105,000 square meters (31% of the entire surface area of company-owned dealerships in all of EMEA).

Actions taken at Italian company-owned dealerships included: a **detailed analysis** of their status and energy consumption; the **provision of suggestions**, including potential benefits, on how to improve energy use in areas like maintenance and employee-specific behavior; and continual **monitoring** of dealership energy consumption trends. With the technical support of Fiat Partecipazioni, the Group company in charge of facility and energy management, dealership suggestions were customized depending on their site characteristics.

With the introduction of these 2013 initiatives, the total amount of **energy consumed decreased by 5.5%** compared with the previous year and around 6,400 GJ were saved. In addition, more than **685 tons of CO₂ were not emitted** into the atmosphere. The program resulted not only in environmental improvements, but also in operational benefits in the form of reduced costs.

The approach was to implement actions that were either no cost or highly affordable. The site that improved the most saved 17% in electricity compared with 2012. However, up to 27% electricity (in kWh) was saved at sites that had refurbished systems and machinery.

This experience led to the creation of **operational guidelines on eco-efficiency** specifically tailored to dealerships. The purpose of the guidelines is to help dealerships conserve resources, illustrating best practices to reduce waste and use energy more efficiently. They also offer technical solutions and examples focused on saving energy. The goal is to reach as many dealerships as possible, and encourage each site to implement appropriate changes on a voluntary basis. Separate eco-efficiency guidelines addressing the sustainable construction of future company-owned dealerships are also available. These two documents pave the way for future actions to minimize the environmental impact within the scope of our dealerships.

To support lower energy consumption and less environmental impact in the dealer network, we set targets to be met by 2017 at all Italian company-owned dealerships for electricity consumption. Targets were also set for progressive extension of eco-friendly initiatives to both company-owned and independent dealerships in other countries.

In the **LATAM region**, the World Class Dealer (WCD) program was implemented in 2013. WCD aims to increase the focus on operational efficiency at dealerships, including identifying opportunities, improving performance and achieving results.

As part of the program, an **initiative to monitor and increase the environmental and social sustainability** of the Brazilian dealerships was launched in partnership with the Ethos Institute and will eventually cover the entire dealer network, comprised of around 600 private dealers. The development of this initiative started with direct involvement of the Fiat Brazil Dealer's Association (ABRACAF) in four engagement meetings.

Dedicated workshops were held with 11 dealers where an online sustainability tool was defined on the basis of 26 indicators that help analyze a dealer's performance in areas such as:

- human rights
- relationships with workers and local communities
- sustainable consumption of materials and resources (like energy and water)
- reverse logistics for material disposal.

Each dealership is able to monitor its environmental and social impact by using the online tool to enter data on the 26 indicators. The system then provides suggestions and priorities to enhance performance.

In the **NAFTA region**, in an effort to promote environmental responsibility, the Chrysler Group Dealer Network organization and the Corporate Sustainability Office organized the Dealer Environmentally Conscious Operations (ECO) program for the second consecutive year. The program recognizes Chrysler Group dealers who contribute to the company's goal of reducing its impact on our planet.

Top performing dealers are then nominated for the Chrysler Group Environmental Leadership Award (ELA) based upon energy consumption and efficiency, waste recycling, community relations, etc. Best practices highlighted in the 2013 program will be communicated to all Chrysler Group dealers in 2014 via the sustainability portal in **DealerCONNECT**. The DealerCONNECT portal was also enhanced to include an area for updates regarding Green Buildings where sustainability practices will be easily accessible to the dealer network. For example, data collected from dealers who have implemented LED lighting, waste oil burners, sustainable roofs, etc. will be made available to the dealer network to promote the benefits of sustainability practices in terms of the impact on the environment as well as the financial impact.

Direct and indirect energy consumption in dealerships

Mass-Market and Premium Brands in EMEA (TJ)

2013	Private ⁽¹⁾		Company-owned	
	EMEA	of which in Italy	EMEA ⁽²⁾	of which in Italy ⁽³⁾
Direct energy consumption	1,196	186	120	26
Indirect energy consumption	1,075	168	153	82
Total energy consumption	2,271	354	273	108

Direct and indirect CO₂ emissions in dealerships

Mass-Market and Premium Brands in EMEA (thousands of tons of CO₂)

2013	Private ⁽¹⁾		Company-owned	
	EMEA	of which in Italy	EMEA ⁽²⁾	of which in Italy ⁽³⁾
Direct emission	70	11	7	2
Indirect emission	106	17	14	9
Total emission	176	28	21	11

⁽¹⁾ Data estimated according to GHG Protocol on figures collected on some company-owned dealerships.

⁽²⁾ Data includes both figures collected and estimations based on the GHG Protocol.

⁽³⁾ Data entirely based on figures collected.

Training for the network

To enhance the customer experience and create loyal advocates of our products and services, in 2013 the Group continued to develop training opportunities as well as skills assessment and certification of salespeople and technicians. Focusing on these areas helps to grow the quality of service offered by dealerships as well as their operations and product-related knowledge.

Unetversity, the Fiat Group Automobiles (FGA) training school, and **Chrysler Academy**, the Chrysler Group training organization, standardize skill levels across the network, and **offer targeted training paths to over 170,000 dealership personnel, sales and after-sales professionals and technicians worldwide**. In 2013, **more than 6.3 million hours of training was provided worldwide**. A variety of learning needs are addressed for technical and sales issues faced by the network, such as customer relationship management processes, product and vehicle systems knowledge, and environmental and safety features of the Group's vehicles. Furthermore, technician training is focused on diagnosis, maintenance and repair techniques for fuel-efficient gasoline and diesel engines, as well as techniques for servicing and repairing vehicles that run on electricity or compressed natural gas.

In 2013, continued progress was made in the area of online training and performance supported through internal multimedia platforms. The knowledge and information was readily accessible to everyone in the network, saving time and money and limiting the environmental impact of travel.

In 2013, Chrysler Group increased the number of Virtual Classroom training sessions by 27% in the NAFTA and LATAM regions as well as in the EMEA region, which, along with the already-available video streaming, expanded the delivery methods used for training.

Customer relationship and management training

FGA's Unetversity and Chrysler Academy have developed a series of programs focused on selling methods and processes. In Europe, the Customer First Program and the Business Support Program enhance the approach and behavior of sales personnel during the sales process. It also reflects the commitment to promoting responsible selling techniques encouraging the greatest transparency in the management of customer relationships. In 2013, Chrysler Academy further supported the Customer Experience Initiative by redesigning the selling skills curriculum and course development, aligning course objectives to be consistent with customer survey results. The initiative is designed to improve the overall customer experience as well as promote the long term success of both the company and the dealer network.

Customer relationship improvements were also achieved through programs such as the Step It Up, piloted within the US dealer network in the Southwest Business Center. This initiative, supported by in-dealership consultants who coached and mentored retail professionals, aided the Customer Experience Initiative by correlating customer survey results with dealership behaviors and processes linked to customer satisfaction. This effort resulted in a significant positive impact within the pilot dealers. The after-sales curriculum was also redesigned to reflect the Customer Experience Initiative.

In the EMEA region, Unetversity continued to place particular emphasis on training for the after-sales staff in dealerships, such as service center managers, service consultants and front-office employees, who manage the after-sales relationship with customers.

Training activities to support dealership owners and managers also continued during 2013 through the EMEA Effect program, in partnership with leading business schools and modeled after university-level business management curriculums. A combination of hands-on experience and theory provided managerial skills and tools to help address changing conditions at the global and local level, placing particular emphasis on succession management within the dealers. In 2013, the program, in its sixth year, was redesigned and updated to reflect the competitive scenario: 3 modules were delivered: two in Germany and one in Spain.

In addition, tools and technology are continuously refined to better support the network. The iExam business analysis tool is being upgraded by Chrysler Group to enhance usability and functionality. Ram Compressed Natural Gas (CNG) resource information was provided online to support the launch of the Ram CNG vehicle. These tools, along with the Market Master Online Business Analysis tool, continue to empower dealers to maximize their operational performance and capitalize on business opportunities. New Dealer Installation training materials were also developed to provide a more comprehensive orientation for new dealer principals when joining Chrysler Group. The training includes position-specific content for all roles within a typical dealership management team to promote greater shared understanding and appreciation for Chrysler Group operational systems, procedures, and corporate values.

Dealer Candidate Development Program

Chrysler Group is committed to diversity within its dealer network. During 2013, **Chrysler Group increased its minority dealer count by 16%, expanding from 163 to 189 dealerships.** This improvement includes a 6% increase in minority-owned Fiat dealerships, which increased from 34 to 36 dealers. This corresponds to a minority representation in the Fiat dealer network of 17%, which remains the highest diversity percentage for any automotive brand. To support the growth of its minority dealer network, Chrysler Group continues to utilize the **Dealer Candidate Development Program (DCD)**. This program is designed to identify candidates who are currently employed with a Chrysler Group or Fiat dealership and have the potential to become a dealer principal in the near future. Through educational webinars, live training and on-site dealership assessments, these candidates are provided dedicated training to enhance their knowledge of dealership operations. In 2013, a graduate from the first class of candidates successfully partnered with Chrysler Group and was placed into a dealership as an operating partner/general manager. Additionally, the second class of candidates in the program completed all of their classroom training modules during the year.

A focus on after-sales training

In 2013, the Unetversity enhanced training for after-sales customer relations processes to improve the service and parts customer experience.

Over 370,000 hours of training were delivered to the Fiat Group Automobiles, Maserati and Ferrari after-sales force worldwide, of which approximately 181,000 hours were through distance learning. The virtual classroom was introduced in various markets in the EMEA and LATAM regions, involving up to 1,500 users and covering various after-sales topics, which included repair and quality check, scheduling, reception and follow-up, and the new WiADVISOR.

Delivery methods combined instructor-led training and online training with virtual classroom experiences. Comparing 2012 with 2013, the after-sales training attendance increased significantly, mainly due to the contribution of online and virtual classroom training. Approximately 175,000 hours of distance learning were dedicated exclusively to FGA's after-sales personnel (+26% vs 2012).

Environmental and safety training

The Group dedicates considerable resources to support environmental and safety training in our dealer and service network. In 2013, approximately **2.1 million hours of training on these issues** were provided to sales people, technicians and after-sales staff worldwide, **representing approximately 33% of all training provided.**

Worldwide, the sales force received **1.1 million hours** of specific training on topics related to the reduction of fuel consumption and CO₂ emissions, eco-friendly technologies, alternative fuels and the latest generation engines. In addition, when possible, test drives were organized to demonstrate the characteristics of these engines and their competitive advantages.

Worldwide training for service technicians and after-sales personnel involved roughly **845,000 hours** with continued focus on developing know-how in the repair and maintenance of eco-friendly engines and safety and environmental-related features. This training is essential to ensure engine efficiency and reduce fuel consumption and emission levels in accordance with regulatory limits. In addition, the increased presence of safety features on the vehicles was supported by specific training covering these topics for the after-sales staff in the dealerships (about **113,500 hours provided**).

On-site and web training

The Group provides extensive web training for all dealership positions, as well as web-based equivalency courses for those network professionals who are not located near live course offerings. Local and web training make information and knowledge accessible to everyone in the dealer network, saving time and money, and reducing the environmental impact of travel. As key training developers and providers, Unetversity and Chrysler Academy offer various on-line tools and performance support, including virtual classroom online training, web portals, tablet apps, in-dealership touch-screen kiosks and smartphone-optimized tools and resources. **In 2013, 60% of total training hours were provided to the dealer network through the web or virtual classrooms.**

Over 3.7 million online hours of training were delivered to Group sales, after-sales and technical personnel in the four regions. **These web-based training channels eliminated the need for over 110 million kilometers of travel around the world, resulting in a reduction of approximately 24,000 tons of CO₂ emissions.**

With the objective of offering solutions close to the participants, Fiat and Chrysler Group offer 34 Technical Training Centers located across NAFTA, 34 in EMEA, 22 in LATAM and 6 in APAC to cover the training needs of field personnel.

Finally, several initiatives have been implemented in the US to reduce the environmental impact from technical training. These efforts include a reduction in print/paper usage by eliminating the annual printed course catalog, moving to a print-on-demand strategy for course materials instead of bulk printing, and using erasable tent cards/name tags in live courses. In addition, the new eResource Guide allows all professionals within the Chrysler Group dealer network to readily review and understand the variety of learning offerings available from Chrysler Academy. This electronic guide eliminates the need for printed course catalogs, can be updated easily and cost-effectively, and provides a comprehensive source of information for all Academy course offerings, curricula, and available on-line tools and resources.

Alternative fuels workshop

The growing interest in alternative fuel vehicles, confirmed each year by sales data, has prompted Unetversity, the Fiat Group Automobiles (FGA) training center, to create a training workshop targeting this topic.

An ad hoc training event for the Italian Lancia sales network, the **Lancia 2013 Product Day** (involving around 440 dedicated FGA salespersons and field staff) presented information about various product innovations and financial services. Unetversity trainers also provided details about the various types of fuel systems available on the market: from natural gas to electric, from LPG to hybrid and from bio-fuel to hydrogen. They led an analysis of features, operation, emissions, procurement and management of each type of system.

In addition, market data and alternative fuel trends were presented to illustrate the short-, medium- and long-term selling potential, and suggested market opportunities and risks.

During the training day, all participants had the chance to take a test drive of about an hour on a route with different types of terrain to compare the Lancia Ypsilon TwinAir EcoChic to the Toyota Hybrid and therefore to verify the specific characteristics and performance of the two products.

In addition to an overview of the types of fuel, which helped expand participants' automotive knowledge, the training was designed to provide attendees with the information, expertise and skills needed to effectively communicate the eco-friendly and economic competitiveness of Lancia's EcoChic offering that runs on gasoline/natural gas and gasoline/LPG bi-fuel versions.

Tools and resources

In 2013, Chrysler Group launched several new electronic tools and resources to support its approximately 2,400 dealerships. **iShowroom**, Chrysler Group's sales consultant electronic product presentation platform, was enhanced to include commercial vehicles and enhanced functionality. This platform includes video, graphics and animations designed to engage the potential vehicle buyer to better understand the product, and includes product information, vehicle accessory details, competitive comparisons, and the ability to virtually build a vehicle to suit the wants and needs of a particular customer. Furthermore, this tool is dealership-specific, displaying vehicles that are currently available in that dealer's inventory. The system is updated nightly to ensure accuracy of content, and is available via kiosk, web-based and mobile platforms. **Over five million views of iShowroom were recorded in 2013.**

Owner Support Lite and **Owner Support+**, electronic tools designed to enhance the new vehicle delivery experience, were both launched to support dealer network personnel. These tools provide Vehicle Identification Number-specific product information for sales professionals to share and review with new vehicle owners, and both are designed to improve Chrysler Group's customer experience delivery-related scores. While OS Lite is a pdf-based deliverable, OS+ is an electronic suite of videos and product information that can be emailed directly to a customer, further increasing their appreciation and understanding of their new Chrysler Group product. The content of these tools is derived from features identified as "difficult to understand" by the Chrysler Group Customer Call Center, to ensure maximum relevancy.

The **e-Product** tool developed for European markets supports vehicle sales by effectively explaining the product range with videos and animation and illustrating their innovative characteristics. e-Product supports communication with the customer by standardizing the sales negotiation. At the same time, it is very useful in presenting complex content such as Electronic Stability Control (ESC), the Hill Holder function, the fuel saving technology of Group engines and the low environmental impact of LPG or compressed natural gas. e-Product was designed to run fully integrated with the Link-e-sales software, currently used by dealerships to build a car based on the customer's request during negotiations. It can be accessed like a traditional website on any kind of device (iPad, tablets, smart phone). This feature is very important, since the salesperson always has access to videos and graphics that support the information he/she provides, adding credibility to what is said about the vehicle. The tool also sends the customer an email with a link they can use to browse a personalized website, as well as a brochure that portrays the vehicle built with all the selected features. With this tool, the customer can share the experience he/she had at the dealership with friends and relatives, while the microsite and online brochure includes both the dealership and salesperson's contact information to ensure continued dialogue with the customer.