

## Group profile

Fiat is an international auto group engaged in industrial activities in the automotive sector that designs, engineers, manufactures, distributes and sells vehicles for the Mass-Market and Premium Brands under the Fiat, Alfa Romeo, Lancia, Abarth and Fiat Professional brands and Group Chrysler brands such as Chrysler, Jeep, Dodge and Ram brand vehicles and vehicles with the SRT vehicle performance designation, as well as Luxury and Performance cars under the Ferrari and Maserati brands.

### MASS-MARKET AND PREMIUM BRANDS<sup>(1)</sup>



### LUXURY AND PERFORMANCE BRANDS<sup>(2)</sup>



### COMPONENTS AND PRODUCTION SYSTEMS<sup>(3)</sup>

### OTHERS<sup>(4)</sup>

Following the acquisition of Chrysler, the Group is making rapid progress in completing the plan for the integration of Fiat and Chrysler and asserting itself as a strong and competitive group that is a leader in technological innovation with a global presence and comprehensive product range.

The Group also operates in the components sector, through Magneti Marelli and Teksid, and in the production systems sector, through Comau and in after-sales services and products under the Mopar brand name. The Group provides retail and dealer finance, leasing and rental services in support of the car business through subsidiaries, joint ventures and commercial agreements with specialized financing services providers.

<sup>(1)</sup> Includes Fiat Group Automobiles (100%; as of January 2013 Fiat Powertrain is included in Fiat Group Automobiles) and Chrysler Group (as of 21 January 2014, Fiat S.p.A.'s interest in Chrysler Group increased to 100%).

<sup>(2)</sup> Includes Ferrari (90%) and Maserati (100%).

<sup>(3)</sup> Includes Magneti Marelli (100%), Comau (100%) and Teksid (84.8%).

<sup>(4)</sup> Includes firms operating in publishing, communication and services.

## Mass-Market and Premium Brands

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### Fiat

The quintessential symbol of Italian motoring, the brand strives to offer simple, innovative and affordable solutions to the many different needs of its customers. All Fiat brand products combine the genuinely Italian passion for design and original aesthetic solutions with the greatest functional efficiency and versatility. For years now, Fiat has been designing cars that are both fun to drive and low on fuel consumption and emissions. Fiat is engaged in constantly reducing the environmental impact of its cars. In fact, for six years running Fiat has been recognized as the brand with the lowest average CO<sub>2</sub> emissions among the best-selling car brands in Europe. In addition, the European motoring magazine *Autobest* has awarded Fiat's "methane program" the "Ecobest 2013" title for being the simplest and most cost-effective solution with the lowest environmental impact of fuels currently available.



### Alfa Romeo

Technology, efficiency, sportiness, and unique Italian design are the hallmarks of every Alfa Romeo model. The brand's history is reflected in every car and translates into a perfect balance between driving pleasure and maximum safety, made possible by the research and development of cutting-edge technologies. For more than twenty years, Alfa Romeo has been working with the International Safety Driving Center, headed by former Formula 1 champion Andrea de Adamich, to organize driving classes promoting safety, accident prevention and driver education among the general public and especially young people.



### Lancia

The Lancia range results from a product philosophy which places elegance, personality, style and customization at the heart of its projects. A charm which, together with the adoption of technological innovations, succeeds in satisfying a demanding audience looking for cars that set themselves apart from the rest of the automotive scene. The ECOCHIC range embodies these same values and is designed to be eco-friendly with bi-fuel engines (natural gas/gasoline) that reduce emissions to a minimum.



## Fiat Professional

Fiat Professional is our commercial vehicle brand whose proven experience makes it a leader in its sector. It offers a wide range of vehicles, designed to meet all work and transport needs while minimizing fuel consumption and operating costs and maximizing profitability. Its leadership was confirmed by the title of “LCV Manufacturer of the Year,” received for the second year in a row at the GreenFleet Awards 2013. The award recognizes its efforts to improve fuel economy and reduce the environmental impact of commercial vehicle fleets. The innovative eco:Drive Professional and eco:Drive Fleet systems play a significant role in helping customers optimize efficiency of its commercial vehicles.



## Abarth

The legendary company founded in 1949 by Karl Abarth has always been synonymous with cars with a strong, determined and indomitable spirit, just like the scorpion in the company's logo. Today, the brand builds and sells small and easy-to-handle sports cars with an unmistakable Italian taste, with lightweight engines that can get the most out of every single unit of horsepower. In addition to pursuing engine performance matched with sporty driving, Abarth advocates conscious and safe driving. In 2013, for the third year in a row, the brand held the “Make it Your Race” competition for aspiring race drivers. This platform that brings together the virtual and real worlds is designed to usher young aspiring racing drivers into the world of motor sports while promoting safe and responsible driving on the road.



## Chrysler

The Chrysler brand has delighted customers with distinctive designs, craftsmanship, intuitive innovation and technology all at an extraordinary value since the company was founded in 1926. The Chrysler brand's succession of innovative product introductions continues to solidify the brand's standing as the leader in design, engineering and value. The premium for the Chrysler brand is in the product, not the price. Whether through groundbreaking, bold design; sleek elegant styling; or family-room-on-wheels functionality, Chrysler brand vehicles reward the passion, creativity and sense of accomplishment of its owners.



## Jeep

Built on more than 70 years of legendary heritage, Jeep is the authentic sport utility vehicle (SUV) with class-leading capability, craftsmanship and versatility for people who seek extraordinary journeys. The Jeep brand delivers an open invitation to live life to the fullest by offering a full line of vehicles that continue to provide owners with a sense of security to handle any journey with confidence. In 2013, the Jeep brand set a new all-time global sales record, with sales of more than 731,000 Jeep vehicles around the world. This marked the fourth consecutive year of Jeep sales increases both globally and in the United States.



## Dodge

The Dodge brand is tearing into its centennial year with a keen eye focused on the future and a desire to create vehicles customers can't wait to drive and are proud to park in their driveways. With 100 years of history, Dodge is building on the technological advancements of the '30s and '40s, design evolution of the '50s, the racing heritage of the '60s, the horsepower of the '70s, the efficiency of the '80s and unbelievable styling of the '90s as it paves the road to its future.



## Ram Truck

Since its launch as a distinct vehicle brand, the Ram Truck brand has concentrated on how core customers use their trucks and what new features they'd like to see. Whether focusing on a family that uses its half-ton truck day in and day out, a hard-working Ram Heavy Duty owner or a business that depends on its commercial vehicles every day, Ram has the truck market covered. The Ram brand offers best-in-class fuel economy with the new 3.0-liter EcoDiesel engine, a number of first-in-segment fuel saving technologies, and the only factory-built natural gas pickup truck.



## SRT

Chrysler Group's Street and Racing Technology (SRT) uses a successful product development formula to design, engineer and build benchmark American high-performance vehicles. Five proven hallmarks are applied to each SRT vehicle: awe-inspiring powertrains; outstanding ride, handling and capability; benchmark braking; aggressive and functional exteriors and race-inspired and high-performance interiors to remain true to its performance roots.



## Mopar

Mopar is the Group's service, parts and customer-care brand which is establishing itself as one of the major players in the market. With the creation of the alliance between Chrysler Group and Fiat S.p.A., Mopar continues to extend its global reach, integrating service, parts and customer-care operations in order to enhance dealer and customer support worldwide. Mopar's worldwide portfolio includes more than 500,000 parts and accessories that are distributed in more than 130 markets. Mopar is the source for genuine parts and accessories for Chrysler Group brands as well as Fiat brands.

## Luxury and Performance Brands

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### Ferrari

Since its founding in 1947, the company has traveled a long way, but its mission has always been the same: to make unique sports cars that represent the best in automotive technology, both on the track and on the road.

The epitome of passion and sportiness, Ferrari needs no introduction. Its calling card is the numerous Formula One titles it has won: a total of 16 constructors' and 15 drivers' championships. And of course, there is the impressive lineup of legendary GT models – exclusive cars that are unique for their performance, cutting-edge technology and design. One after another, each model released raises the bar of excellence within the industry.

Behind these extraordinary cars there is a group of equally extraordinary people. To achieve outstanding results, Ferrari believes in the importance of teamwork built on a group of individuals whose skills and competence are pooled together to create a close-knit and winning team. True to this philosophy, in 1997 it launched a comprehensive initiative spanning from workplace safety to bio-sustainable architecture and workplace ergonomics, geared toward ensuring general employee well-being – Formula Ferrari.



### Maserati

The brand has continued to achieve success on the track and on the road for over a hundred years through the charm, elegance and cutting-edge technology of its unique cars. Maserati cars combine power with elegance and a futuristic design with surprising practicality. Its models immediately stand out for their extraordinary personality and satisfy even the most demanding and sophisticated tastes.

With the launch of the new Quattroporte, the brand's flagship model, and the Ghibli, which heralds its entry into the luxury E segment, Maserati's has set an ambitious strategic target of achieving a major global presence in the luxury car market with annual production of 50,000 units.

Its long tradition of successful models has repeatedly redefined the concept of the Italian sports car in terms of style, performance, comfort and elegance, as well as safety, as testified by the two prestigious international safety ratings awarded to the Ghibli: the Euro NCAP 5-star rating and the IIHS 2013 Top Safety Pick.

## Components and Production Systems

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### Magneti Marelli

Magneti Marelli is an international company committed to the design and production of hi-tech systems and components for the automotive sector: from lighting to engine control, electronics and suspension systems, from exhaust systems to components for the aftermarket and motorsport. Magneti Marelli has a direct presence in 19 countries with 86 manufacturing facilities, 12 Research and Development centers and 26 application centers.

Magneti Marelli combines quality, flexibility and competitive technologies to offer customers a range of cost-effective products. Through a process of continuous innovation, Magneti Marelli leverages its technical know-how to develop intelligent systems and solutions that contribute to the evolution of safe and sustainable mobility, as well as enhance the passenger experience. For example, application of research in lightweight materials to suspension systems won it the “Supplier of the Year” at the Vehicle Dynamics International Awards 2013.



### Comau

With 40 years of experience in industrial automation, Comau is a recognized world leader in the design and construction of sustainable automation solutions and maintenance services.

Continuous improvement in products, processes and services, and significant investment in research and development have enabled the brand to position itself as a leader in its sector, meeting the expectations of the most demanding customers.

Environmental responsibility is an integral part of the company’s activities. In addition to its active engagement to improving energy efficiency and reducing greenhouse gas emissions in its own plants around the world, through the eComau business line it works with customers to improve their automated processes and reduce energy consumption.



### Teksid

With over 80 years of experience in the production of engine blocks, cylinder heads, engine components, and transmission, gearbox and suspension components, Teksid is the world’s largest producer of gray and nodular iron castings. The company is committed to continuously adapting the technical characteristics of its products to the increasingly exacting needs of the automotive industry.

The ingredients of Teksid’s success include: high level of automation; continuous technology upgrades to improve quality standards; as well as close integration with the product development activities of customers, which include the leading global producers of cars, trucks, tractors and diesel engines.

In addition, Teksid Aluminum is the world leader in aluminum production technology for cylinder heads and engine components. In 2014, leveraging the synergy with Chrysler Group, there will be a substantial increase in production of cylinder heads at the Carmagnola plant in Italy where new systems, new workstations, leaner production processes and optimized logistics have been implemented.

## Map of principal international agreements

### EUROPE

**FGA Capital: Fiat Group Automobiles (FGA) and Crédit Agricole Group** (through their French subsidiary CA Consumer Finance S.A.) JV (50/50%) for the financial services activities related to FGA, Chrysler Group, Maserati, Jaguar & Land Rover car sales in Europe.  
On November 8 2013, the agreement to extend the Joint Venture through 31 December 2021 was completed.  
On October 21 2013 FGA Capital and Jaguar & Land Rover renewed the Financial Services partnership

**Fiat Group Automobiles (FGA) and Opel**  
Agreement with Opel to supply vehicles based on the Fiat Doblò platform

### ITALY

**Fiat Group Automobiles (FGA) acquisition<sup>(1)</sup> of remaining 50% stake in VM Motori S.p.A. (VM) from General Motors**  
VM is a long-established company specialized in the design and manufacturing of diesel engines

### ITALY AND FRANCE

**Fiat Group Automobiles (FGA) and PSA Peugeot Citroën Group**  
JV in Sevel Val di Sangro (50/50%) and Contract Manufacturing Agreement in Sevel Nord<sup>(2)</sup> for the production of the following vehicle families:

- compact commercial vans for Fiat, Peugeot and Citroën
- light commercial vehicles for Fiat, Peugeot and Citroën

### POLAND

**Fiat Group Automobiles (FGA) and Ford**  
Cooperation for the development and production of A-segment cars (Fiat 500 and Ford KA)

### TURKEY

**Fiat Group Automobiles (FGA) and Koç Group**  
Listed JV (37.86% FGA; 37.86% Koç Group) for the development and production of passenger cars and light commercial vehicles, including a compact commercial van and a passenger car for Fiat, Peugeot and Citroën, and light commercial vehicles for Fiat and Opel

### SERBIA

**Fiat Group Automobiles (FGA) and the Serbian government**  
JV (66.7% FGA; 33.3% Serbian government) for the production of FGA passenger cars at the plant in Kragujevac for both European and NAFTA markets

**Magneti Marelli and Johnson Controls Automotive S.r.l.**  
JV (50% Magneti Marelli; 50% JCI) for the production and distribution of instrument panels, door panels, floor consoles and rear quarters to Fiat Group Automobiles Serbia

### HUNGARY

**Fiat Group Automobiles (FGA) and Suzuki Motor Corporation**  
Agreement (PDMA) for the production by Magyar Suzuki Corp. of the Fiat Sedici model in Hungary

### MEXICO

**Magneti Marelli and Promatcor Inc.**  
JV (51% Magneti Marelli; 49% Promatcor) for the production of suspension components for Fiat-Chrysler (Ducato)

## CHINA

**Fiat Group Automobiles (FGA), Chrysler Group International LLC and Guangzhou Automobile Group**  
Framework Agreement to expand cooperation on passenger car manufacturing and sales in China

**Fiat Group Automobiles (FGA) and GAC Fiat Automobiles Co., Ltd (GAC FIAT)**  
Agreement signed for the production of the C-Hatch Back in China by GAC FIAT

**Teksid, Shanghai Automotive Industry Corporation (SAIC) and Yuejin Motor Corporation (YMC)**  
JV (50% Teksid; 25% SAIC; 25% YMC) for the production of gray and nodular iron cylinder blocks for cars

**Magneti Marelli, Hefei Jianghuai Automotive Co., Ltd (JAC) and Hefei Lingdatang Collective Assets Management Co., Ltd (LINGDATANG)**  
JV (51% Magneti Marelli; 37% JAC; 12% Lingdatang) for the design, development, production and distribution of exhaust systems for the Chinese market

**Magneti Marelli and Changchun Fudi Equipment Technology Development Co., Ltd (FUDI)**  
JV (51% Magneti Marelli; 49% FUDI) for the production and distribution of powertrain systems (such as intake manifolds, throttle bodies, fuel rails, and air/fuel modules) for the Chinese market

**Magneti Marelli and Shanghai Automobile Gear Works (SAGW)**  
JV (50% Magneti Marelli; 50% SAGW) for the production and distribution of hydraulic components for the Automated Manual Transmission (AMT) and hydraulic kit of Dual Clutch Transmission (DCT) for the Chinese market

**Magneti Marelli and Wanxiang Qianchao Co., Ltd**  
JV (50% Magneti Marelli; 50% Wanxiang) for the design, production and distribution of automotive shock absorbers and related products for the Chinese market

**Magneti Marelli and China South Industries Group Corp. (CSI)**  
Agreement for the establishment of a JV (50% Magneti Marelli; 50% CSI) for the design, production and distribution of automotive lighting products for the Chinese market

## INDIA

**Fiat Group Automobiles (FGA) and TATA Motors**  
Agreement on the restructuring of Fiat India Automobiles Limited and the distribution model for Fiat brand vehicles in India

**Fiat Group Automobiles India Private Limited**  
Wholly FGA owned distribution company established in India. This entity commenced distribution of Fiat brand vehicles on 1 April, 2013

**Magneti Marelli and Talbros Automotive Components Ltd**  
JV (50% Magneti Marelli; 50% Talbros) for the design, production and distribution of suspension components and modules (such as control arms, knuckles, front and rear axles) for automobile applications in India

**Magneti Marelli, Suzuki Motor Corp. and Maruti Suzuki India Ltd**  
JV (51% Magneti Marelli; 30% Suzuki; 19% Maruti) for the production and distribution of electronic control units for diesel engines in India

**Magneti Marelli and Unitech Machines Ltd (UM)**  
JV (51% Magneti Marelli; 49% UM) for the design, production and distribution of automotive electronic systems and components (such as instrument clusters, body electronics, telematics devices) in India

**Magneti Marelli and Sumi Motherson Group**  
JV (50% Magneti Marelli; 50% Motherson) for the production and distribution of automotive lighting products and engine control systems (such as intake manifolds for engines) in India

**Magneti Marelli and Krishna Group**  
Two JVs (both 50% Magneti Marelli; 50% Krishna) through SKH Metals Ltd and SKH Sheet Metal Components Ltd, respectively, for the design, production and distribution of exhaust systems in India

**Magneti Marelli and Hero MotoCorp Ltd**  
Agreement for the establishment of a JV (40% Magneti Marelli; 60% Hero) for the design, development, production and distribution of powertrain systems for the two-wheeler market in India

## INDONESIA

**Fiat Group Automobiles (FGA) and PT Garansindo Inter Global**  
Agreement for appointing third party distributor in Indonesia for Alfa Romeo and Fiat

**Fiat Group Automobiles (FGA) and PT PARAMA UNGGUL OTOMOTIF**  
Agreement for appointing third party distributor in Indonesia for Abarth

## KOREA

**Chrysler Korea Limited**  
Chrysler Korea Limited launched the distribution of Fiat brand vehicles in Korea pursuant to an authorization from FGA to Chrysler Group

## NEW ZEALAND

**Fiat Group Automobiles (FGA)**  
New distributor appointed for Fiat brand vehicles in New Zealand

## WORLDWIDE

**Magneti Marelli and Faurecia**  
Cooperation Agreement for the establishment of a JV (50% MM; 50% Faurecia) for the design, development, production and distribution of advanced human-machine interface (HMI) vehicle interior products

*Current as of end of February 2014.*

<sup>(1)</sup> Acquisition finalized in October 2013, FGA now holds 100% of VM.  
<sup>(2)</sup> JV in Sevel Nord (France) ended on 6 February 2013. Starting from that date, the production of light commercial vehicles for FGA continue under a Contract Manufacturing Agreement scheme.

## Relationships with organizations, associations and political parties

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Fiat Group believes that responsible corporate citizenship is also reflected through participation in public policy development and advocacy in the communities and countries where the company does business.

The Group embraces dialogue and engagement with numerous organizations. It regularly participates in round table discussions and working groups at both the national and international levels to represent the interests of both the company and its many stakeholders.

Relationships with organizations and associations are subject to the Code of Conduct and to the Fiat S.p.A. Business Ethics and Anti-Corruption Guidelines and Conflict of Interest Guidelines as well as Chrysler Group's Integrity Code, Policy and Procedures. Any advocacy activities are conducted in strict observance of applicable laws and regulations and fully respect the Group's core values and principles of fairness, transparency and integrity. Advocacy activities must be authorized at the appropriate level within each Group company.

Dialogue with associations focuses on issues of an economic nature, such as those related to growth, development and company performance; environmental issues linked to sustainable mobility; labor policies (flexibility, training, pension systems); and specific needs associated with Fiat Group products, manufacturing and commercial activities (technical, trade and tax regulation).

In particular, consistent with the Fiat S.p.A. Code of Conduct and Chrysler Group Integrity Code, the Group aims to contribute positively to the future development of regulations and standards in the automotive industry and in all other sectors related to the mobility of people and goods.

### Europe

In **Europe**, the Group belongs to trade associations such as the European Automobile Manufacturers' Association (ACEA) for passenger cars and commercial vehicles. Moreover, with respect to the natural gas vehicle (NGV) sector, Fiat is also a member of NGV Italy and NGVA Europe, the industry associations with the mission to foster good relations with Italian, European and international institutions, and to define and advocate the positions of the European NGV industry.

Fiat Group believes that advocating the use of natural gas in many different ways will help to secure sustainable mobility.

The Group also participates in working groups such as the European Round Table (ERT) for industrial leaders. Through ACEA, which interfaces on a regular basis with the major European institutions, Fiat S.p.A. has contributed to the definition of regulations and directives on CO<sub>2</sub> emissions, technical car standards and international transport and trade policies, in an effort to ensure that regulations are balanced and sustainable for automakers and EU member states.

### North America

In **North America**, the Group works with several industry organizations. As a founding member, Chrysler Group has a long history of working with the Automotive Industry Action Group (AIAG) and supporting critical projects. This cooperative forum for the auto industry is focused on improving business processes and practices involving trading partners and peers throughout the supply chain. Projects in corporate responsibility, supply chain management and quality allow both Chrysler Group and the industry to improve the quality and efficiency of daily work.

The Alliance of Automobile Manufacturers is the leading advocacy group for the US auto industry. The Alliance focuses on developing and implementing constructive solutions to public policy challenges that promote sustainable mobility and benefit society in the areas of environment, energy and motor vehicle safety. The organization provides Chrysler Group and the auto industry with a united voice on US federal and state regulatory and legislative matters.

The Group is also engaged with organizations that focus on alternative propulsion or fuels, including the US Natural Gas Vehicle Association as well as the Electric Drive Transportation Association.

**Brazil** ▲

In **Brazil**, Fiat has long been an active member of the Associação Nacional dos Fabricantes de Veículos Automotores (ANFAVEA), among others. This nationwide association unites the country's automakers with the purpose of addressing industry and market issues affecting the automotive sector as well as coordinating and protecting the collective interests of the association's members.

**Other countries** ▲

In **other countries**, such dealings are carried out through the employers' associations that Group companies belong to, such as the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) in Germany, Mouvement des Entreprises de France (MEDEF) in France, Confederación Española de Organizaciones Empresariales del Metal (CONFEMETAL) in Spain, Polish Confederation of Private Employers – Lewiatan (PKPP Lewiatan) in Poland, Confederação Nacional da Indústria (CNI) in Brazil and Cámara Nacional de la Industria de Transformación (CANACINTRA) in Mexico.

These associations act to protect the interests of their partners and represent them in social dialogue, both at the national and local levels, with the key political and administrative institutions, trade unions and other social parties.

In Europe, Business Europe, the confederation of European businesses, representing more than twenty million companies of all sizes through its 41 member federations from 35 countries – is a recognized partner that participates in social dialogue at the European Union level.

Finally, any relationship between Fiat Group and political parties and their representatives or candidates is conducted according to the highest standards of transparency and integrity. Political contributions by the Group are only allowed where permitted by law and must be authorized at the appropriate level within each Group company. In 2013, **no contributions were made by Fiat Group to political parties**. Fiat Group does not have a Political Action Committee (PAC), but employees are free to make personal contributions to political candidates or parties, to the extent that these contributions do not violate corporate policy. Any political association or financial contribution made by Group employees is considered personal and completely voluntary.

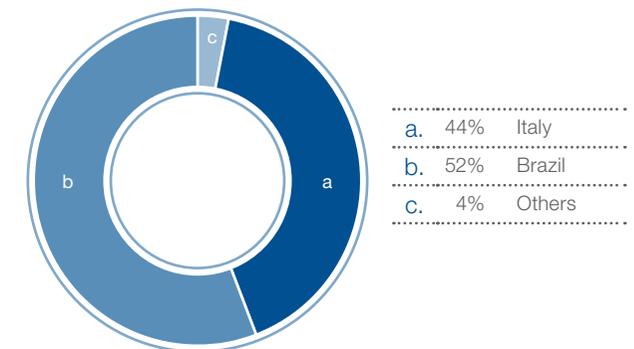
**Public funding**

Fiat Group worldwide (€ million)

	<b>2013</b>	2012
Grants	44	81
Loans	973	509
of which subsidized loans	571	309
of which EIB <sup>(1)</sup> loans	402	200

**Public funding by country**

Fiat Group worldwide



<sup>(1)</sup> European Investment Bank.

## Corporate Governance

By managing its business in an ethical, transparent and responsible way, Fiat Group's system of corporate governance creates value for all stakeholders. Fiat S.p.A. has a system of corporate governance aligned with international best practices and the principles endorsed by the Italian Corporate Governance Code for listed companies (issued in December 2011) with amendments adopted to address the specific characteristics of the Group. Over time, Fiat S.p.A.'s corporate governance system has been expanded to incorporate a set of values, rules and procedures that reflect regulatory changes and improvements in corporate governance practices.

### Timeline of Corporate Governance

#### 1992

- Publication of the first Fiat S.p.A. Environmental Report

#### 1993

- Publication of the first Fiat S.p.A. Code of Ethics, replaced in 2003 by the Code of Conduct

#### 1997

- Adoption of a system of Values and Policies

#### 1999

- Establishment of the Internal Control Committee and the Nominating and Compensation Committee. In 2007, the Nominating and Compensation Committee was separated into the Nominating and Corporate Governance Committee and the Compensation Committee

#### 2002

- Institution and adoption of Internal Dealing Regulations that establish disclosure and conduct requirements for Relevant Persons. These Regulations remained in place until March 2006, when the European Market Abuse Directive, which governs such matters, took effect

#### 2003

- Approval of the first Compliance Program (Italian Legislative Decree 231/2001) which was updated in subsequent years to reflect developments in legislation and interpretation that expanded the scope of Italian Legislative Decree 231/2001 to include new categories of crimes
- Approval of Guidelines for the Internal Control System
- Issuance of Guidelines for Significant Transactions and Transactions with Related Parties

#### 2004

- Publication of first Annual Report on Corporate Governance, prepared in accordance with guidelines issued by Assonime and Emittenti Titoli S.p.A. and endorsed by Borsa Italiana S.p.A.
- Implementation of an Enterprise Risk Management process based on the 2004 Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Publication of the first Fiat S.p.A. Sustainability Report

#### 2005

- Issuance of Whistleblowing Procedures for reporting alleged violations of the Code of Conduct
- Approval by Fiat S.p.A. shareholders of requirements for the annual assessment of the independence of members of the Board of Directors
- Approval of the Group Procedure for the Engagement of Audit Firms aimed at ensuring the independence of the external auditors

## 2006

- Certification of the System of Internal Control over Financial Reporting (ICFR) established pursuant to Section 404 of the US Sarbanes-Oxley Act. Although the company is no longer listed on the New York Stock Exchange (NYSE), management and Internal Audit have continued their activities relative to the evaluation and monitoring of the ICFR System. Those activities also provide support for the attestations of the Chief Executive Officer and the executive officers responsible for the preparation of the company's financial statements, required under Italian Law 262/2005 since 2007

## 2008

- Creation of the Sustainability Unit and publication of the first Sustainability Plan

## 2009

- Assignment of responsibility for sustainability issues to the Nominating and Corporate Governance Committee, which thus became the Nominating, Corporate Governance and Sustainability Committee
- Revision of the Code of Conduct to incorporate additional principles of sustainability
- Formulation of Group Guidelines on the Environment, Health and Safety, Business Ethics and Anti-Corruption, Sustainability for Suppliers, Human Capital Management, Human Rights and Investments in Local Communities
- Update of the Enterprise Risk Management model to include additional risk factors related to climate change

## 2010

- Formulation of Group Guidelines on Conflicts of Interest, Data Privacy, ICT Assets and of the Green Logistics Principles
- Dissemination of Fiat S.p.A. Code of Conduct updated to include references to all Group guidelines
- Approval of Procedures for Transactions with Related Parties
- Review of the internal Business Ethics Audit system to include additional sustainability-related elements in line with the Code of Conduct
- Update of the Enterprise Risk Management model and revision of risk map

## 2011

- Formation of a new Group Executive Council<sup>(1)</sup> (GEC) following acquisition of majority ownership of Chrysler Group, consistent with the objective of enhancing operational integration between Fiat<sup>(2)</sup> and Chrysler Group. The GEC consists of members from both organizations and is the highest executive decision-making body, supporting the CEO in operational decisions
- Integration of all Fiat standard audits with ethical issue assessments regarding human rights, business ethics, conflict of interest, corruption, and discrimination issues
- Fiat Compliance Program pursuant to Italian Legislative Decree 231/2001 updated to include the sensitive processes for the prevention of environmental crimes
- Publication and distribution of updated Chrysler Group Standards of Conduct, including references to environmental stewardship, health and safety
- Publication of Chrysler Group's first Sustainability Report

## 2012

- Introduction of an attendance recommendation in the 2012 Annual Report on Corporate Governance according to which Directors are expected to prepare themselves for and to attend all Board meetings, the Annual General Meeting of Shareholders and the meetings of the Committees on which they serve, with the understanding that on occasion a Director may be unable to attend a meeting
- Inclusion of women for more than 20% of Fiat S.p.A. Board of Directors
- Publication of the Fiat S.p.A. 2011 Sustainability Report, marking the first ever joint report by Fiat<sup>(2)</sup> and Chrysler Group on shared goals and combined results of sustainability initiatives

## 2013

- Human rights, already included in Code of Conduct, risk assessment regarding child labor, young workers, labor practices, forced labor, non-discrimination, conditions of employment, security and supply chain management implemented as part of the Fiat S.p.A. standard audit process in place in EMEA, LATAM and APAC to ensure coverage of due diligence requirements of the UN Ruggie Framework Guiding Principles
- New Anti-Corruption Policy approved for Chrysler Group, which updates and consolidates the Company's anti-corruption rules and procedures
- Formulation of Group Guidelines on Stakeholder Engagement

<sup>(1)</sup> In July 2011, Fiat S.p.A. formed a management committee, known as the Group Executive Council, or GEC, to oversee and enhance the operational integration of all Fiat affiliates, including Chrysler Group. Nevertheless, the two companies remain distinct legal entities with separate governance. The GEC cannot contractually bind Chrysler Group, and recommendations made by the GEC to Chrysler Group, including transactions with Fiat companies, are subject to Chrysler Group's governance procedures.

<sup>(2)</sup> Refers to Fiat Group excluding Chrysler Group.

## Integration of economic, social and environmental choices

The **Group's governance** supports the Group's mission to grow and create value by supplying innovative products and services for maximum customer satisfaction with due respect to the legitimate interests of all categories of stakeholders. The Group's governance structure consists of a management and control system and general meetings of shareholders. In addition, as required by law, the accounts are reviewed by independent auditors.

The system of management and control adopted by Fiat is based on a Board of Directors and a Board of Statutory Auditors. Within that structure, the Board of Directors – which is responsible for management and, both directly and through committees assigned propositive and advisory functions, ensuring that controls to adequately monitor company performance are in place – is supported by the Board of Statutory Auditors that has an independent role and powers and is composed of individuals who meet the requirements of professionalism, integrity and independence prescribed by law and the By-laws.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. It guides the Group's activities through definition of a model of delegation and the direct delegation and revocation of powers, as well as review, approval and continuous monitoring of: the strategic, industrial, and financial plans formulated by directors with executive powers; the organizational structure of the Group; transactions having a material impact on the earnings and financial position of the Group; transactions in which the executive directors have a conflict of interest; and, transactions with related parties that are subject to its approval pursuant to the relevant procedures.

Based on the recommendations of the Internal Control and Risk Committee, the Board also sets guidelines for the system of internal control and risk management aimed at identifying, measuring, managing and monitoring the principal risks to which the Company and its subsidiaries are exposed, determining the level of acceptable risk consistent with its strategic objectives. The Board of Directors is also responsible for: evaluating the adequacy of the organizational, administrative, and accounting structure; the system of risk management and internal control; and the general performance of the Group on the basis of reports from the executive directors, as well as for supervising effective compliance with the administrative and accounting procedures and the adequacy of the powers and resources attributed to the manager responsible for the Company's financial reporting.

The **Board of Statutory Auditors** is responsible for supervising compliance with law and the By-laws, respect of the principles of proper management and, in particular, the adequacy of the internal control and risk management system and the organizational, administrative, and accounting structure of the Company and its effective functioning, in addition to supervising effective implementation of the rules of corporate governance to which the Company adheres. It is also the role of the Statutory Auditors to make recommendations to shareholders in relation to the independent auditors' appointment, removal and compensation.

**General meetings** are the mechanism through which all **shareholders** are represented. At ordinary general meetings, shareholders vote on approval of the annual financial statements, appointment and dismissal of members of the Board of Directors, appointment of members of the Board of Statutory Auditors and its Chairman, compensation of the Directors and Statutory Auditors, engagement of the independent auditors, and actions relating to the obligations of the Directors and Statutory Auditors. At extraordinary general meetings, shareholders vote on amendments to the By-laws and transactions of an extraordinary nature such as capital increases, mergers and demergers, except where decision-making authority is attributed to the Board of Directors under Article 15 of the By-laws, as indicated above. As required under Article 123-ter of Legislative Decree 58/98, the Compensation Policy, which forms the first section of the Compensation Report, is submitted to the non-binding vote of shareholders.

In 1999, the Board of Directors established following committees: the Internal Control Committee and the Nominating and Compensation Committee.

The roles and requirements of these committees are constantly updated to reflect current best practice in corporate governance.

In 2007, as part of the continuous review of the system of corporate governance and to better align itself with best practice, the Board passed a resolution to split the Nominating and Compensation Committee into the Compensation Committee and the Nominating and Corporate Governance Committee.

In recognition of **the importance of integrating economic choices with those of a social and environmental nature**, in 2009 Fiat S.p.A. assigned the Nominating and Corporate Governance Committee the further responsibility of evaluating proposals related to strategic guidelines on sustainability-related issues and for reviewing the annual Sustainability Report, changed its name to Nominating, Corporate Governance and Sustainability Committee.

The Committee is composed of the following three directors, two of whom are independent: John Elkann (Chairman), Joyce Victoria Bigio and Patience Wheatcroft. The governance structure demonstrates the important role attributed to management of sustainability topics across the business: at Fiat Group, each employee and every organization plays a role in helping the company continue to follow the path of continuous improvement and long term commitments which are at the core of our sustainability model.

### Composition of highest governance bodies and its committees

For a description of composition of the highest governance body and its committees please see the table provided in the 2014 Annual Report of Corporate Governance at page 17, 19, 2 and 23.

### Executive powers of the Chairman

The Chairman of the Board of Directors, John Elkann is an executive. The **model for delegation of powers**, which is described in detail in this Report, is based on the fact that the Chairman and Chief Executive Officer have the same powers. In practice, the Chairman provides the coordination and strategic direction for the activities of the Board of Directors, while the Chief Executive Officer is responsible for the operational management of the Group. This division of responsibilities complies with the Code principle, which states that in principle, the Chairman should not be responsible for operational management of the Company. Accordingly, Fiat has not deemed it necessary to appoint a lead independent director.

### Qualification and expertise of Directors

With regard to the **nomination and selection process** of the Board of Director and its committees, **criteria considered include independence, expertise and precedent experiences**. The Board of Directors is currently made up of nine members, four of whom are independent. The current number also allows for the Board to continue to have an adequate mix of technical abilities, professional background and experience, both general and specific, gained in an international environment and pertaining to the dynamics of the macro-economy and globalization of markets, more generally, as well as the industrial and financial sectors, more specifically. It also allows for a mix of skills and experience that is adequate in terms of the size of the Company and the Group, as well as the complexity and specific characteristics of the sectors in which the Group operates and the geographic distribution of its businesses.

It was the Board's view that a **reduction in the number of members** was appropriate in consideration of the Group's increased concentration in the automobiles business, and would also facilitate more effective execution of the Board's activities, while at the same time ensuring adequate diversity of membership on the Committees. The Board also emphasized the benefits of gender **diversity** in its membership.

The **Internal Control and Risk Committee** established by the Board of Directors of Fiat S.p.A. (the Committee) is composed of **at least three independent** directors with adequate **experience in accounting and financial matters or risk management**. The Committee's members and Chairman are appointed by the Board of Directors, which may also dismiss them. If the Board has not already done so, the Committee may appoint a secretary that need not be one of its members.

The **Nominating, Corporate Governance and Sustainability Committee** is composed of at least three Directors, the **majority of whom independent**. The Board of Directors appoints the members of the Committee and its Chairman. The Committee may name a secretary that need not be one of its members; the Secretary draws up the minutes of the meetings.

The **Compensation Committee** is composed of three non-executive directors, the **majority of whom are independent**. The Committee's members and Chairman are appointed by the Board of Directors. If the Board has not already done so, the Committee may appoint a secretary that need not be one of its members. The Secretary is responsible for preparing minutes of the meetings.

**Relations with shareholders** is an essential element of the Group governance structure. The Company has created dedicated entities to establish and maintain a constant dialog with the market for the purpose of maintaining the confidence of investors and improving their understanding of the Company and its activities.

Throughout the year, the **Investor Relations** team maintains constant contact with financial analysts, individual shareholders and institutional investors, as well as organizing conference calls and public presentations to present financial results, and participating in industry conferences. Information presented and discussed on those occasions is also published on the Company's website (www.fiatspa.com). Corporate information, regular and extraordinary financial information, the corporate calendar, and corporate governance documentation are also available on the website (in both Italian and English). Shareholders can request general information or information on specific transactions by phone (toll free in Italy: 800-804027) or by e-mail (serviziotitoli@fiatspa.com and investor.relations@fiatspa.com).

Fiat General Meeting, during which every year Financial as well as Sustainability performances are presented to the public, represent an important and traditional occasion for communicating with shareholders.

### Process to avoid conflict of interest

The Group is aware of the corrosive effects that corruption has on societies, and its impact undermining democracy and the rule of law.

All business relationships are expected to be established and maintained with integrity and loyalty and without any conflict of interest between business and personal affairs. The Fiat Group, its directors, officers, other employees and others to whom the Code is addressed are committed to the highest standards of integrity, honesty and fairness in all internal and external affairs, in compliance with national and international anti-corruption laws, with particular reference to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the OCSE Guidelines and Foreign Corrupt Practices Act ("FCPA"). The Group will not tolerate any kind of bribery (paying or offering to pay to obtain an improper business advantage) to public officials or representatives of international organizations or any other party connected with a public official and to private entities/individuals or which is otherwise prohibited by applicable laws.

To ensure the highest standards are met, principles of fairness, transparency and integrity have been included in detail in the relevant guidelines (**Business Ethics and Anti-Corruption Guidelines** and **Conflict of Interest Guidelines**) and, together with the requirements of local law, they are to be adhered to by all employees, agents, suppliers and other individuals and entities that have a business relationship with the Group.

The Fiat S.p.A. Guidelines specifically address:

- the prohibition of cash gifts to public officials, politicians or military personnel aimed at obtaining economic advantages for Group companies
- the need to include clauses in outsourcing and joint venture agreements that specify the consequences of violating anti-corruption laws
- the prohibition of gifts and benefits-in-kind for the purpose of gaining preferential treatment
- the possibility of donations for charitable purposes only and the requirement that contributions to political parties must be approved by top management
- full compliance with laws applicable to the export of goods and services.

For what concern the highest governance bodies highest standard of transparency and strict criteria are followed:

- as some directors also hold positions at other listed companies or companies of significant interest. Excluding the positions held by the executive directors within Fiat Group, the most significant **cross-board membership** are reported to the public in the Annual Report on Corporate Governance
- an adequate number of independent directors is an essential element in protecting the interests of shareholders, particularly minority shareholders, and third parties, assuring that potential conflicts between the interests of the Company and those of the controlling shareholder are assessed impartially. The contribution of independent directors is also fundamental to the composition and proper functioning of committees tasked with undertaking ex ante evaluations of risk and, where identified, formulating proposals to address that risk. Those committees represent one of the most effective means of managing potential conflicts of interest

- independent criteria: The Board of Directors is currently made up of nine members, four of whom are independent. On 4 April 2012, Shareholders elected a new Board of Directors with a **significant representation of independent** directors. In addition to the two independent directors required by law and in consideration of the recommendation of the Corporate Governance Code that at least one-third of directors be independent, Shareholders elected a total of four directors who met the requirements of independence adopted for previous elections
- related party disclosure: With adoption of the procedures for transactions with related parties pursuant to Consob Regulation 17221 of 12 March 2010 (as amended) the Compensation Committee was assigned responsibility, for matters relating to compensation only, for reviewing transactions with related parties. Accordingly, the Committee is required to give an opinion on the substantial and procedural fairness of transactions with related parties of particular significance, as defined in those procedures. To enable it to perform that role, the Committee is provided timely and adequate information on transactions during the evaluation phase, and, for significant transactions, it has the authority to communicate its views to the individuals responsible for conducting negotiations. During the year, the Committee provides the Boards of Directors and Statutory Auditors a quarterly report on transactions with related parties.

### Evaluation of the Board of Directors' performance

The Committee also met on 26 February 2014 to examine the Corporate Governance and Sustainability Reports for 2013, as well as conducting the annual evaluation of the activities of the Board and its Committees for 2013 through a self-evaluation questionnaire. The positive results of that evaluation were reported to the Board during the meeting of 27 February 2014. All non-executive directors participated in the self-evaluation process, which examined the size, composition, mix of skills and experience, and functioning of the Board. There was also a comprehensive review of the various activities of the Committees.

The analysis focused on the most material aspects relating to the Board of Directors as a collective body, individual Directors and their performance and the Committees. In particular the analysis evaluated: (i) the structure, composition, role, functioning and responsibilities of the Board and each of its Committees; (ii) procedures for board and committee meetings, management of information and decision-making processes; (iii) the effectiveness, efficiency and completeness of the information provided to the Board on the work of the Committees; (iv) the relationship between the Board, the Committees and the Statutory Auditors; (v) an evaluation of the performance of the various boards and committees; and, (vi) the value of the self-evaluation process itself. Directors were also given the opportunity to comment on issues of a general nature. The overall conclusion of the evaluation process was very positive in terms of the effective and efficient functioning of the Board of Directors and its Committees. One of the most positive aspects to emerge from the self-evaluation process was the quality and depth of discussion, as well as the level of interaction and transparency. In particular, it was noted that the cohesive atmosphere between the executive and non-executive directors during meetings, as observed in previous self-assessments, was conducive to open and constructive debate, with due respect given to the contribution of each director leading to decisions typically being reached with a broad consensus.

The quality and completeness of documents and information provided to directors and the timeliness with which they were made available was considered more than satisfactory. Comparable results were found with reference to the work of the Committees with particular appreciation for the level of access to management made available to the directors. Identified areas for improvement related substantially to opportunities for more in-depth examination of issues relative to the competitive environment and, when possible, faster access to information.

## Labor practices and Human Rights

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The Group is committed to the highest business integrity and ethical standards. Key components of this commitment are embedded in Group codes of conduct. Fiat S.p.A. and Chrysler Group are aligned in terms of the principles and contents of their codes, following international best practices in the respect of local legal requirements.

The Fiat S.p.A. **Code of Conduct** represents a set of values recognized, adhered to and promoted by the Group, which believes that conduct based on the principles of transparency, integrity and fairness is an important driver of social and economic development. The Code of Conduct is a pillar of the governance system which regulates the decision-making processes and operating approach of the Group and its employees in the interest of stakeholders.

The Code of Conduct expands on aspects of conduct related to the economic, social and environmental dimensions, underscoring the importance of dialogue with stakeholders.

**Explicit reference is made to the United Nations' Universal Declaration of Human Rights, the principal Conventions of the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the US Foreign Corrupt Practices Act (FCPA).** Specific **Guidelines**, which are an integral part of the Code of Conduct, were created concerning the following aspects: Environment, Health and Safety, Business Ethics and Anti-Corruption, Sustainability for Suppliers, Human Capital Management, Human Rights, Conflict of Interest, Community Investment, Data Privacy, ICT Assets and Stakeholder Engagement.

The document, available in ten languages (Italian, English, French, German, Spanish, Polish, Dutch, Portuguese, Chinese and Japanese), may be consulted and downloaded from the Group's internet and intranet sites and is posted on company boards where employees have direct access. Copies can also be obtained from Human Resources, the Legal department or the Head of Internal Audit. The Code applies to the members of the Fiat S.p.A. Board of Directors, to all employees of Group companies and to all other individuals or companies that act in the name of, and on behalf of, one or more Group companies. Diffusion of the Code follows different steps: Corporate Officers must sign a binding document<sup>(1)</sup> expressing the commitment to abide by all of its rules; Managers must sign a letter declaring awareness and acceptance of its content; other employees receive a copy of the Code during the hiring process and their employment confirmation letter makes reference to the Code.

Chrysler Group has an **Integrity Code** available in several languages and **Standards of Conduct** that are applicable to all employees. Together with the Chrysler **Corporate Policies and Procedures**, these documents represent the company's firm commitment to high business and ethical standards and contribute to creating a corporate culture that is characterized by integrity, transparency and accountability. The Integrity Code details rules of conduct for employees, including dealing with third parties such as suppliers, customers, government officials and business partners, as well as conflict of interest and internal control issues.

The Corporate Policies are a collection of approximately 50 company statements that support the Integrity Code and cover topics such as Discrimination and Harassment Prevention; Workplace Violence Prevention; Employee Health and Safety; and Environmental Protection; among others.

The Standards of Conduct describe actions or behavior which violate Chrysler Group's standards and which may result in disciplinary actions. In 2013, a new Anti-Corruption Policy was approved for Chrysler Group, which updates and consolidates the company's anti-corruption rules and procedures.

The Integrity Code, Corporate Policies and Standards of Conduct can be found on the online employee portal.

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<sup>(1)</sup> For reference, see Appendix C of the Code of Conduct.

The Group disseminates the principles established in these documents and the values of good governance to all employees. In 2013, a total of **43,630 Group employees worldwide** were **involved in training courses** focused on Corporate Governance (including code of conduct), Anti-corruption and Human Rights (including non discrimination) topics. Among these training initiatives, each year all salaried Chrysler Group employees complete the Ethics and Integrity Code web-based awareness training and acknowledge they have read and understood the Code, and that they know whom to contact for questions or concerns.

The Group's commitment to the respect for human rights applies across the entire organization without exception; in fact, **security personnel** are also trained on this topic. In 2013, 435 security personnel employed directly by Fiat Group<sup>(2)</sup> were trained in policies and procedures concerning aspects of human rights. Third party organizations which provide this service to the Group are also expected to adhere to these principles by signing contract clauses.

Aware of the importance attributed also by **external stakeholders** to the respect for human rights, business integrity and ethical standards, the Group extends its commitment to the promotion of the adoption of the Code as a best practice standard to the business conduct of partners, suppliers, consultants, dealers and others with whom it has a long-term relationship. In fact, Group **contracts** worldwide **include specific clauses** relating to the recognition of, and adherence to, the principles underlying the Code of Conduct and related guidelines, as well as compliance with local laws and regulations, particularly those related to anti-corruption, money laundering, terrorism and other crimes constituting liability for legal persons. In Latin America, for example, a dedicated website<sup>(3)</sup> was created to **support access for all stakeholders to the Code of Conduct** and to serve as an extra channel for receiving complaints, including from third parties such as suppliers and clients. Similarly, to enhance the channels for receiving alleged violations of the Code of Conduct, Fiat S.p.A. created a dedicated email address directed to the Fiat S.p.A. Chief Audit Executive.<sup>(4)</sup> At Chrysler Group there are dedicated hot lines and dedicated email address<sup>(5)</sup> available to report anonymously alleged violations. In addition, **supplier self-assessment questionnaires** and **field audits** are regularly conducted by internal Supplier Quality Engineers and/or external organizations to verify the levels of adherence to the sustainability standards required by the Group. Suppliers are required to provide references on how they manage and prevent all forms of discrimination, harassment, child labor and forced labor in the workplace, as well as any sort of bribery and corruption (public/private), and on how they protect human rights, including freedom to associate.

Under the Fiat S.p.A. Code of Conduct, Fiat Group "does not employ any form of forced, mandatory or child labor, namely it does not employ people younger than the permissible age for working established in the legislation of the place in which the work is carried out and, in any case, younger than 15, unless an exception is expressly provided by international conventions and by local legislation." The annual survey of child labor at Group companies covered more than 99% of employees<sup>(6)</sup> worldwide, and showed that no incidents of child labor or forced and compulsory labor took place in any of the companies mapped, including those located in countries that have not ratified ILO Conventions on these issues.

The survey also confirmed that no Group company employs individuals under the minimum working age set by local legislation, apprentices under the statutory minimum age, or minors under 15 years of age in countries where the minimum age is lower.

To address the potential risk of child labor, the Group has initiated several projects in areas where we have operations. Projects aimed at advocating inclusion and promoting completion of schooling typically takes the form of job training courses in several countries.

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<sup>(2)</sup> The mapped population refers to security personnel employed at Group companies in Argentina, Brazil, Italy, Mexico, Poland, Serbia and Venezuela.

<sup>(3)</sup> <http://www.eticagrupofiat.com.br>

<sup>(4)</sup> [segnalazioni@fiatspa.com](mailto:segnalazioni@fiatspa.com)

<sup>(5)</sup> [bpoffice@chrysler.com](mailto:bpoffice@chrysler.com)

<sup>(6)</sup> Including Sevel Italia.



“The Group must always be aware of social needs such as working conditions along the entire value chain”

*Stakeholder Engagement Event, Belo Horizonte (BR)*

### Brazil

In **Brazil**, for example, Group companies participate in the programs organized by the National Industrial Apprenticeship Service (SENAI) and other local institutions. Throughout the year the “Formare” program saw Magneti Marelli engaged in efforts to support four schools that provide vocational training to young people as well as an internship in the Amparo, Hortolândia, Maua and Lavras plants. Also in Brazil, since 2006 Teksid do Brasil has been a partner in the government project “Filhote” geared towards children and adolescents from the Betim region. The project offers a chance to attend laboratories in: carpentry, weaving, computer science, literature and circus performance.

### Mexico

In **Mexico**, in collaboration with the local institutions, the Fundación Chrysler I.A.P offers troubled youths a chance to continue their schooling and develop further by granting scholarships.

### India

In **India**, Fiat India Automobiles Ltd (a 50-50 joint venture between Fiat Group Automobiles S.p.A. and Tata Motors Ltd), in collaboration with “Don Bosco Vyawasaik Prashikshan Kendra (DBVPK)” (Pune), started the Program called “Diksha” aimed at providing educational paths and technical training for the youth of the country with the primary objective of offering a decent living to orphans, disadvantaged and poor students who otherwise may be deprived of good educational facilities. The company has financially supported the establishment of the skill training center “Fiat & Don Bosco Experiential Skill Training Center” at Chinchwad (Pune) to offer vocational training to students interested in a career in manufacturing. The program, certified by Fiat and Don Bosco, is recognized as equivalent to all the courses of the Government of India and is licensed by the National Council for Vocational Training – New Delhi. During 2012-2013, 349 students participated in the program and more than of 90% of qualified students are now employed in the automobile sector.

## Human Rights Risks Assessment

In 2013 an additional **Human Rights risk assessment** has been implemented as part of the Fiat S.p.A. standard audit process in place in EMEA, LATAM and APAC to ensure coverage of due diligence requirements of the **UN Ruggie Framework Guiding Principles**. The assessment covers the areas of:

- Child labor & young workers
- Forced labor
- Non-discrimination
- Conditions of employment
- Security
- Supply chain management.

Since November 2013, a total of **10 Human Rights risk assessments** have been completed for a total of 72 items checked. The focus was on the areas of child labor and young workers, forced labor, non-discrimination, conditions of employment, security and supply chain management. No issues were noted.

This project will continue in 2014 to cover 100% of Fiat S.p.A. internal audits.

All these efforts demonstrate the continuing Group commitment to respect human rights within and outside its boundaries.

## Monitoring Code of Conduct violations

Violations of the Fiat S.p.A. Code of Conduct and Chrysler Group Integrity Code are essentially identified through:

- periodic activities carried out by Internal Audit & Compliance
- reports received in accordance with the Whistleblowing Procedures
- reviews of standard operating procedures.

In 2013, Fiat S.p.A. Internal Audit & Compliance systematically verified the level of knowledge and the respect of the Code of Conduct throughout Fiat Group companies (excluding Chrysler Group). Operational audits which were expanded in 2012 to include assessment of ethical issues with particular reference to human rights, business ethics, conflict of interest, corruption and discrimination issues, have been further integrated with the Human Rights risk assessment based on the UN Ruggie Framework Guiding Principles.

During 2013, **264 cases of actual violations** – received both internally and externally – of the Fiat S.p.A. Code of Conduct were reported. As a consequence of Code violations, 264 employees were subject to disciplinary actions, while 6 reports received through the Whistleblowing Procedure led to the introduction of improvements to the Internal Control System, such as the review of pertinent policies and procedures.

For all Code violations, the **disciplinary measures taken** were commensurate with the seriousness of the case and complied with local legislation. The relevant corporate departments were notified of the violations, irrespective of whether criminal charges were made by the authorities.

The principal types of violation verified in 2013 included inappropriate conduct by employees such as absenteeism, inadequate and unethical behavior and misuse of company assets. Cases of violations of the Code of Conduct involving discrimination were not assessed.

### Violations of Fiat S.p.A. Code of Conduct

Fiat Group worldwide<sup>(1)</sup>

	2013	2012	2011
Actual violations revealed during standard operating procedures, periodic activities carried out by Internal Audit and checks forming part of standard operating procedures	246	251	167
<i>Alleged violations received (internally and externally) under Whistleblowing Procedure</i>	86	30	36
of which verified actual violations	14	2	2
Verified actual violations from previous years	4	3	2
<b>Total actual violations</b>	<b>264</b>	<b>256</b>	<b>171</b>

<sup>(1)</sup> Chrysler Group not included in the scope.

## Fighting corruption

The Group is aware of the corrosive effects corruption has on societies, and its impact undermining democracy and the rule of law. To ensure the highest standards are met, principles of fairness, transparency and integrity have been included in detail in the relevant guidelines (Business Ethics and Anti-Corruption Guidelines and Conflict of Interest Guidelines) and, together with the requirements of local law, they are to be adhered to by all employees, agents, suppliers and other individuals and entities that have a business relationship with the Group. The Fiat S.p.A. Guidelines specifically address:

- the prohibition of gifts to public officials, politicians or military personnel aimed at obtaining economic advantages for Group companies
- the need to include clauses in outsourcing and joint venture agreements that specify the consequences of violating anti-corruption laws
- the prohibition of gifts and benefits-in-kind for the purpose of gaining preferential treatment
- the possibility of donations for charitable purposes only and the requirement that contributions to political parties must be approved by top management
- full compliance with laws applicable to the export of goods and services.

Compliance with business ethics standards, including those that relate to corruption, is checked through regular audits conducted by the Fiat S.p.A. Internal Audit & Compliance department based on the annual risk assessment. Over a five-year period, the audit cycle will cover all consolidated Group entities (excluding Chrysler Group).

All Chrysler Group functional areas are subject to analysis on an ongoing basis to detect risks related to corruption both through audits of the area itself and the management process governing each area. In addition, the Legal Compliance Questionnaire (LCQ) is distributed annually to the operating areas as required by Chrysler Group's Legal Compliance and Ethics Program, managed by the Office of the General Counsel (OGC). It contains 39 general questions and up to 150 area-specific questions to ensure full awareness and compliance with Chrysler Group's anti-corruption policies and procedures. In the event an issue is identified, the OGC will work with the Business Practices Office to investigate and resolve the issue.

In order to avoid conflicts of interest, the company's Operating Agreement provides that Chrysler Group cannot enter into any new agreement with its members or any of their affiliates that involves aggregate payments in excess of \$25 million without approval of the Chrysler Group Board of Directors. Additionally, Chrysler Group has a written Conflict of Interest policy prohibiting officers, employees and their family members from personally participating in transactions that conflict with business interests or that might influence employees' business judgment. The Chrysler Group Business Practices Office interprets the policy, issues advisories, oversees investigations and reports non compliance to the Chrysler Group Board of Directors' Audit Committee.

## Compliance

A summary is provided below of the final court judgments, final arbitration awards and other final orders deemed significant because of their value and for which a final decision was issued in 2013 against companies of the Fiat Group (Final Judgments).

There were no significant Final Judgments relating to breaches of environmental legislation, violation of rights of indigenous people, unfair competition, violations of antitrust legislation, non-compliance with laws and regulations, violations concerning health and safety impact of products and services, product and service information, privacy, advertising and marketing or product and services provision.

Final Judgments were however issued against companies within the Fiat Group in relation to:

- two cases of contractual liability (former dealers' claims for compensation for loss of clientele for approx. €0.3 mln in total value), and
- a dispute with an insurance company covering a supplier's liability towards the Group, which the insurance company initially paid to the Group and then claimed back in court (for approx. €0.2 mln).

There were also certain matters in which non-Final Judgments against companies in the Fiat Group were issued. Such matters are still pending and their final outcome remains uncertain. They include:

- two claims by bankruptcy proceedings to obtain payment of a disputed receivable and to claw back certain payments (for a total amount of approx. €1.7 mln), and
- a contractual liability case regarding a claim by the purchaser of certain real estate formerly owned by the Group to obtain reimbursement of costs and expenses incurred in connection with the property (for approx. €0.4 mln).

Lastly, final rulings delivered in 2013 related to labor and social security litigations against Group companies involved a total payment corresponding to 0.16% of labor costs for the year. The year's litigations were concentrated mostly in Brazil, where final rulings, mainly related to the interpretation of regulations, represented 94.8% of all final judgments, equal to 88.2% of the total payout. However, within the specific context of the country, these final judgments were not exceptional either in nature or in number.

## Risk Management and opportunities

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### Enterprise Risk Management

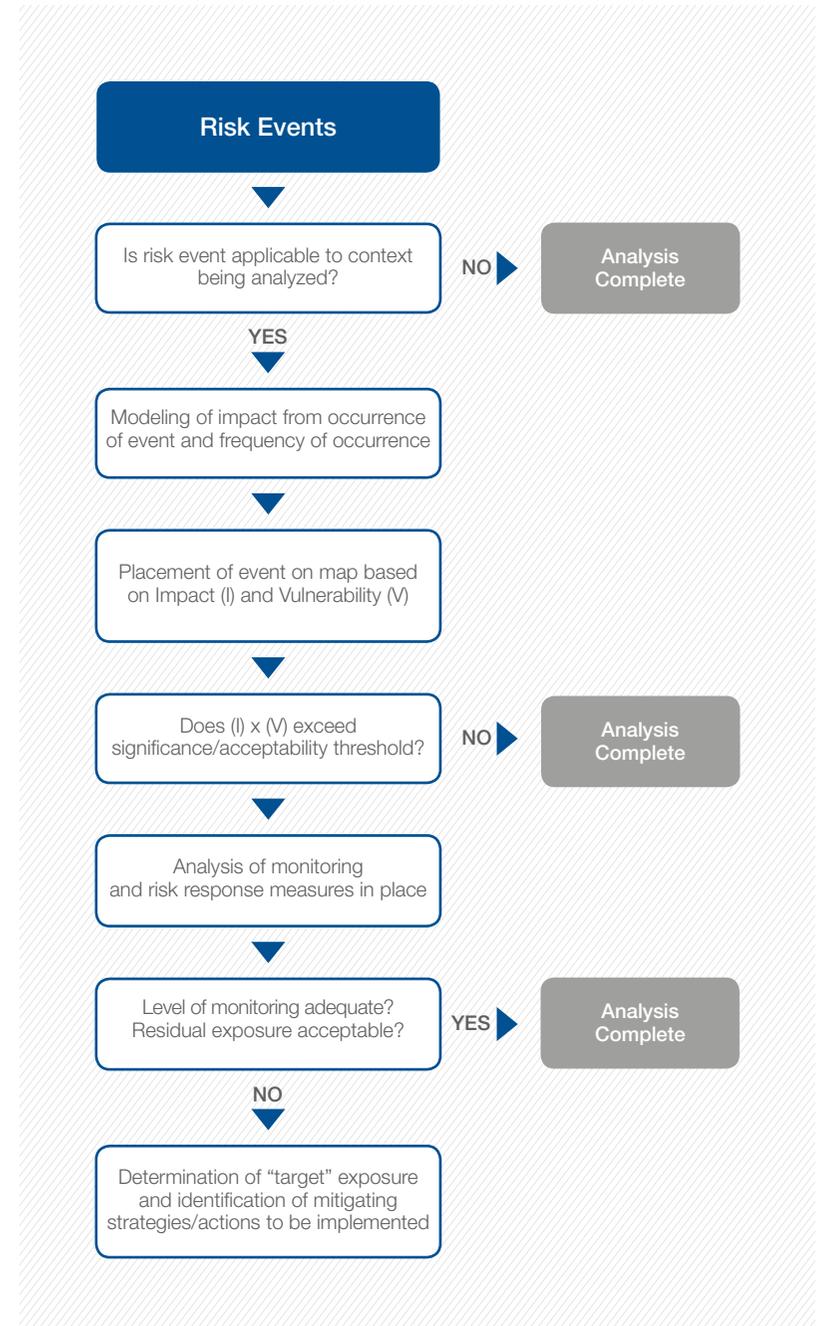
Fiat Group adopted an Enterprise Risk Management (ERM) model in 2004 to provide greater transparency and disclosure of business risks as well as respond to regulatory directives requiring companies to adopt suitable corporate governance models. Chrysler Group subsequently adopted the Fiat ERM methodology in 2012. In the first half of 2013, a review of the ERM process was launched based on a pilot project carried out at Chrysler Group. As a result of this review, the ERM process was revised to focus on making the analysis of potential risks-dynamic (periodic evaluation with follow-up of the main risks and periodic monitoring of mitigating actions identified and/or implemented), predictive (prospective risk assessment), and cross-functional (risk assessment with close involvement of business areas). With this in mind, ERM Coordinators were appointed in the Sector/Region Finance functions and they are supported by one or more business unit leaders to prepare, coordinate and hold meetings with key company functions. These meetings are cross-functional and open to the various Business Unit managers to facilitate the discussion, identification and evaluation of potential risks, as well as the development and definition of risk mitigation plans.

Adapted to the specific needs of the Group from the framework established by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), the model was updated in 2010 to reflect experience acquired over the years and include best practices that emerged from a comparison with other industrial firms. In particular, risk drivers were remapped into new, refined or reformulated clusters to better respond to new requirements or emphasize significant issues (climate change, macroeconomic developments, joint ventures, etc.). Some 50 risk drivers have been identified, which are further broken down into approximately 85 potential events.

This process, which is aided by a dedicated information system, is based on a bottom-up approach that, beginning with individual business units, enables generation of a summary report for each sector/region, including any containment measures to be implemented. Sector Chief Executive Officers and Chief Financial Officers/Region Chief Operating Officers are required to approve these reports, while the Group Chief Financial Officer is responsible for their coordination and consolidation into the Group Risk Report. The Group Risk Report is submitted annually to the Internal Control and Risk Committee, which assists the Fiat S.p.A. Board of Directors in verifying the adequacy and effective functioning of the Internal Control System.

The 2013 assessment revealed various types of risk related to climate change, which include risks concerning regulations, consumer preferences for eco-sustainable products, reputational impact on the community where the Group operates and increase in energy costs. As in the past, the Group has demonstrated continuous appropriate management of these risks through the most effective tools, gearing research and investments toward products with an ever-decreasing environmental impact, promoting low emission vehicles, improving sales force skills to convey the benefits of the ecological features of the Group's vehicles to customers, adopting efficiency projects for reducing plant energy consumption and using renewable energy sources. Certain specific risks<sup>(1)</sup> are monitored by the appropriate organizational entities. For example, risks associated with the potential impact of the Group's industrial activities on the environment and climate are monitored and proactively managed by the Environment, Health and Safety (EHS) function for each company in accordance with the Environment pillar of World Class Manufacturing. Plant managers are responsible for the operational aspects, and their activity is coordinated centrally by the Group EHS structures.

In addition, Fiat's Risk Management S.p.A. and Chrysler Group's Risk and Insurance Management Department are responsible for control of pure risks (e.g., fires, explosions, natural disasters) and insurance coverage for those risks. Both organizations play a central role in the management of events that could potentially impact the continuity of operations or the integrity of physical assets (in particular, the Group's plants).



<sup>(1)</sup> For additional information on the management of financial risks, please refer to the 2013 Fiat S.p.A. Annual Report.

## Management of pure risk<sup>(1)</sup>

The Group believes in preventing losses that could result in property damage leading to an interruption in business. The Fiat Risk Management S.p.A. and Chrysler Group Risk and Insurance Management Departments address all stages of pure risk management including risk identification, analysis and treatment (including loss prevention).

The four pillars of risk management are:

- preventing accidents or limiting their effect
- adopting the highest standards for the prevention of property loss
- minimizing the cost of risk by optimizing loss prevention, investments, self-insurance and risk transfer programs
- centralizing and consolidating the relationships with global insurance markets.

The entire risk management process is executed with maximum transparency and the highest level of expertise, supported by consulting companies specializing in industrial risk that, through field audits, ensure an in-depth, continuous and impartial assessment of risk across the entire Group. In 2013, 123 sites were inspected (covering approximately 98% of industrial activities at Chrysler Group and 64% in the rest of the Group) and 519 new projects were tracked ensuring that the highest level of international loss prevention standards are followed. During the year, the Group's investment in loss prevention and mitigation measures totaled around euro 26.1 million.<sup>(2)</sup> The €19.1 million of Fiat targeted investments reduced loss expectancies by approximately €2.37 billion resulting in a Global Efficiency Index (GEI) of 0.81<sup>(3)</sup> in line with the highest international standards.

The Fiat and Chrysler Group risk management functions work to develop forward-looking, risk engineering approaches and solutions. In particular, this is demonstrated by the development of specific projects that highlight the contribution of risk management in addressing climate change issues. Current Group projects include:

- a new approach to insurable environmental risks
- a Visual Command Center<sup>(4)</sup>
- earthquake risk re-engineering
- climate change impact analysis
- carbon emissions avoidance through effective loss prevention
- prioritization of risk treatments using a standard loss expectancy evaluation process
- Business Continuity Management.

The Group risk management function provides a critical, real-time contribution to the Group's sustainable development and competitive advantage in a global, fast-changing competitive business environment, with a focus on:

- refining the existing tools, processes, measurements and modeling of risks to facilitate more complete risk-based business decision analysis and the evaluation of emerging risk-based opportunities
- integrating and consolidating risk management programs
- developing risk awareness across the organization; and
- creating a cross-functional risk management committee that will periodically review all areas of Fiat and Chrysler enterprise risk management.

<sup>(1)</sup> Pure risks are risks resulting from natural causes or accidental or malicious acts (fire, explosion, floods, etc.) that may result not only in damage to goods or facilities but also lead to a short- or long-term interruption of operations.

<sup>(2)</sup> Figures related to the period from 1 July 2012 to 30 June 2013 (insurance year).

<sup>(3)</sup> Global Efficiency Index for loss mitigation measures (GEI = reduction of expected damage/cost of protection) is recognized as a measure of best practice for industrial risk management.

<sup>(4)</sup> A tool that unites data from external sources, enterprise systems and internal devices into a real-time, consolidated view of risk, enabling threat alerts, assessments and action.

## Environmental Insurable Risks

### New approach to environmental insurable risks

#### What:

Fiat Risk Management has developed an innovative risk management methodology in collaboration with the EHS departments of Group companies, a major international consultancy and certification firm, and an insurance partner. This methodology enabled the Group to:

- obtain an objective and quantified knowledge of the insurable environmental exposures
- develop improvements in risk profiles according to the Sectors' EHS strategy
- understand and clearly communicate priorities and benefits
- effectively inform the insurance market about the loss prevention activities to prevent and mitigate potential environmental losses
- obtain environmental insurance coverage appropriate to the exposures, the loss prevention activities carried out and in line with Group strategies

#### Outcomes:

This extraordinary effort resulted in the development of the first environmental maps for the Group and its companies. These maps represent a quantified overall level of risk obtained via a certified self-assessment tool using scientific methodology

#### When used:

Using this methodology, 69% of Fiat Group total insured value was assessed and analyzed in 2012-2013.

To validate the information obtained through self-assessment in 2013, a visit campaign was launched to a selected number of sites considered representative for the Group in term of size, occupancy and geographical distribution. The visits were organized by the central EHS Departments of each Group company and were conducted by specialized environmental risk engineers of a leading insurance company in the environmental field

#### Lesson learned:

These results were presented to the insurance market confirming that Fiat Group environmental risks are known, well-quantified and properly managed. Results also led to comprehensive global insurance coverage

## Earthquake risk re-engineering project

### What:

The work group formed by AXA, Naples University, Magneti Marelli and Fiat Risk Management launched a three-year research project to develop a scientific quantitative earthquake risk evaluation process. The methodology enabled the Group to:

- efficiently assess
- properly quantify
- proactively manage
- the seismic risks exposing industrial manufacturing sites

### Outcomes:

The principal output of this procedure was a ranking within the portfolio based on seismic risk; consequently, a prioritization of structures for decision making and potentially a more refined analysis of the top ranked facilities

### When used:

During the development of the research project, the approach was defined as multilevel and quantitative, i.e., a procedure capable of considering different knowledge levels as an input and providing a quantitative measurement of seismic risk:

- level 1 – relative, mainly for prioritizing purposes
- level 2a – absolute analysis based on existing fragility curves
- level 2b – absolute analysis based on computed fragility curves

### Lesson learned:

The events which occurred in 2012 in a key Italian industrial area confirmed the importance, for a global manufacturing organization, of having in place a modern earthquake risk management methodology

## Climate change potential impact analysis

### What:

The three main goals of this project, launched to study the potential new risks posed by climate change, were:

- raise awareness across the whole organization of the potential new risks posed by climate change
- explain the nature of the risks associated with climate change
- verify that all risk management processes already in place, and the new measures under development or still to be developed, must consider climate change

### Outcomes:

The hail risk project adopted a weather forecast/alert service which provides information about snowstorms, rainstorms and hailstorms, as well as long-range forecasts to optimize the installation and removal of hail protection nets.

The rain risk project allowed:

- the identification of relevant data about the plant's rain water collecting and removing network
- the creation of an ad hoc form to collect and report key data
- the development of a methodology to identify and extract the current design data for the specific occupancy and latitude
- software development to carry out the gap analysis (design data at the time of the construction data compared with current design data)
- processes to identify treatment priorities considering both the gap and the values at risk

### When used:

The hail project was developed primarily for the finished parking lots but it also has positive effects for Group plants and other sites. Its goals are:

- widen the period of hail net coverage
- support the parking lot emergency teams delivering weather bulletins and alerts in the event of a storm forecast
- the rain project aimed to develop a methodology to analyze the potential rain water risk based on the gap analysis between the design data used at the time of the building construction, and the current design data function of occupancy and latitude (as per internationally recognized construction standards)

### Lesson learned:

The weather alert service has already yielded positive results as demonstrated by the roughly 1500 vehicles spared (not damaged) during the April 6, 2012 hailstorm that impacted a parking lot in Turin