

## COMPARISON WITH THE PRINCIPLES AND CRITERIA OF THE CODE

The Corporate Governance Code is constituted by principles and criteria. The left-hand column reports the individual principles and criteria of the Code, and the right-hand column provides a summary description of their implementation at Fiat.

### RECOMMENDATIONS OF THE 2006 CORPORATE GOVERNANCE CODE

### IMPLEMENTATION BY FIAT S.P.A.

#### ROLE OF THE BOARD OF DIRECTORS

**1.P.1** Listed companies are governed by a Board of Directors that meets at regular intervals, and that adopts an organisation and a modus operandi which enable it to perform its functions in an effective, efficient manner.

The Company's By-laws (Article 13) prescribe that the Board of Directors must meet at least once each quarter and that on those occasions the executive directors report to the Board of Directors and the Board of Statutory Auditors on activities performed in exercise of their delegated powers, on the most significant transactions carried out by the company or its subsidiaries and on transactions where there is a potential conflict of interest. In 2009, the Board met nine times. The Board also assigned the Nominating, Corporate Governance and Sustainability Committee the task of conducting an annual evaluation of the activities of the Board and its Committees.

**1.P.2** The Directors act and pass resolutions with full knowledge of the facts and autonomously, pursue the priority of creating value for the shareholders. Consistent with this goal, they shall also take into account the directives and policies defined for the group of which the issuer is a member, as well as the benefits deriving from being a member of a group.

The objective of the Board of Directors is to create value for all of the Company's shareholders. Accordingly, the presence of twelve non-executive directors and a significant number of independent directors guarantees that there is no dominating influence over the decision-making process and ensures the independent judgement of directors, particularly in cases of potential conflict of interest. Documents containing the information useful for discussion and resolutions are sent to directors and statutory auditors in the days preceding the meetings, with the exception of urgent or particularly confidential matters.

With specific reference to the governance of the Group, Fiat S.p.A. is the entity which exercises direction and coordination, pursuant to Article 2497-*bis* of the Civil Code, over its Italian subsidiaries. This activity consists in indicating the general strategic and operating guidelines of the Group and takes concrete form in the definition and updating of the internal control system, the corporate governance model and of the corporate structure, the issuance of a Code of Conduct applied throughout the Group, and setting forth the general policies for the management of human and financial resources,

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purchasing of production materials, and marketing and communication. Furthermore, coordination of the Group includes specialised companies which provide centralised cash management, corporate and accounting, and internal audit services. Direction and coordination undertaken at Group level enables subsidiaries, which retain full management and operating autonomy, to realize economies of scale by availing themselves of professional and specialised services with improving levels of quality and to concentrate their resources on the management of their core business.

**1.C.1** The Board of Directors shall:

- a) examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it heads, if any;
- b) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer and its subsidiaries having strategic relevance, as established by the managing directors, in particular with regard to the internal control system and the management of conflicts of interest;
- c) delegate powers to the managing directors and to the executive committee and revoke them; it shall specify the limits on these delegated powers, the manner of exercising them and the frequency, as a rule no less than once every three months, with which the bodies in question must report to the board on the activities performed in the exercise of the powers delegated to them;
- d) determine, after examining the proposal of the special committee and consulting the board of auditors, the remuneration of the managing directors and of those directors who are appointed to particular positions within the company and, if the shareholders' meeting has not already done so, determine the total amount to which the members of the board and of the executive committee are entitled;
- e) evaluate the general performance of the company, paying particular attention to the information received from the executive committee (when established) and the managing directors, and

The role of the Board of Directors is described in detail in the Annual Report on Corporate Governance of which this comparison forms part. Following are excerpts from the Report as well as applicable provisions of the By-laws.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company through definition of a model for delegation of powers, the delegation and revocation of powers, and examination and approval of the strategic, industrial, and financial plans prepared by the bodies with delegated powers, the corporate structure of the Group, transactions having a material impact on the operating performance, balance sheet, and financial position of the Group, transactions in which the delegated bodies have a conflict of interest and unusual and abnormal transactions with related parties.

The Company's By-laws (Article 13) prescribe that the Board of Directors must meet at least once each quarter and that on those occasions the executive directors report to the Board of Directors and the Board of Statutory Auditors on activities performed in exercise of their delegated powers, on the most significant transactions carried out by the company or its subsidiaries and on transactions where there is a potential conflict of interest. The Board of Directors is also responsible for evaluating the adequacy of the organizational, administrative, and accounting structure and the general performance of the Group on the basis of reports by the bodies with delegated powers.

As prescribed in Article 12 of the By-laws, the Board of Directors shall appoint a Chairman, a Vice Chairman, where deemed appropriate, and one or more chief executive

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- periodically comparing the results achieved with those planned;
- f) examine and approve in advance transactions carried out by the issuer and its subsidiaries having a significant impact on the company's profitability, assets and liabilities or financial position, paying particular attention to transactions in which one or more Directors hold an interest on their own behalf or on behalf of third parties and, in more general terms, to transactions involving related parties; to this end, the board shall establish general criteria for identifying the transactions which might have a significant impact;
  - g) evaluate, at least once a year, the size, composition and performance of the Board of Directors and its committees, eventually characterising new professional figures whose presence on the board would be considered appropriate;
  - h) provide information, in the report on corporate governance, on the application of the present article 1 and, in particular, on the number of meetings of the board and of the executive committee, if any, held during the fiscal year, plus the related percentage of attendance of each director.

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officers. As prescribed in Article 16 of the By-laws, the Chairman, Vice Chairman and Chief Executive Officer, separately and individually, shall be the Company's legal representatives in relation to the execution of resolutions adopted by the Board and in legal proceedings, as well as execution of other powers conferred on them by the Board. Finally, Article 13 prescribes that directors to whom powers have been delegated report, at least once each quarter, on general operating performance and expected future developments, as well as on the most significant transactions carried out by the Company or its subsidiaries. As prescribed in Article 12 of the By-laws, compensation for Directors vested with particular offices shall be determined by the Board of Directors, after having received the opinion of the Board of Statutory Auditors. Additionally, the Board entrusted the Compensation Committee with the duty of submitting proposals with respect to individual compensation plans for the Chairman, the Chief Executive Officer and the other directors vested with particular offices.

The Board has established "Guidelines for Significant Transactions and Transactions with Related Parties" in which it reserves the right to prior examination and approval of any transaction having a significant impact on the Company's balance sheet, economic and financial figures, including the most significant transactions with related parties, and has made all transactions with related parties subject to specific criteria in terms of substance and procedure.

Therefore, decisions relating to significant transactions are excluded from the powers conferred on executive directors. "Significant transactions" are considered to be those transactions that, in and of themselves, the company is required to disclose to the market in accordance with specific rules established by the regulatory authorities. Decisions regarding the most significant transactions with related parties are also excluded from the powers conferred on executive directors, with all such transactions being subject to specific criteria in terms of substance and procedure and requiring disclosure to the Board. Similarly, the executive directors of subsidiary entities must also submit the most significant transactions, including those with related parties, to the prior examination and approval of their respective Boards of Directors.

The Board entrusted the Nominating, Corporate Governance and Sustainability Committee with the

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duty of selecting and proposing, on the occasion of co-optations and renewals of mandates, candidates for the post of member of the Board of Directors, in consideration of the number of positions they already hold, indicating their names and/or the necessary qualifications as well as evaluating on an annual basis the activities performed by the Board and the Committees.

The Report on Corporate Governance is prepared on an annual basis and disclosed to the market. In addition to the elements required under Article 123 of Legislative Decree 58/95, this Report also includes information on application of recommendations made in the Code.

Article 12 also prescribes that the Board of Directors shall, after receiving the opinion of the Board of Statutory Auditors, appoint the managers responsible for the preparation of the Company's financial reports. Pursuant to applicable laws and regulations, said managers are responsible, with regard to the consolidated and parent company financial statements and the interim first-half financial statements, for certifying that the administrative and accounting procedures that they implemented for the preparation of said reports are adequate with respect to the company structure and have been effectively applied. This certification also relates to conformity of the latter with international financial reporting standards, their consistency with accounting records and supporting documentation and their suitability in providing a true and fair representation of the earnings and financial position of the issuer and consolidated entities.

The managers responsible for the preparation of the Company's financial reports are also required, in relation to the parent company and consolidated financial statements, to certify that the report on operations represents a reliable analysis of operations and operating results, in addition to the financial position of the issuer and the entities included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed. In relation to the interim financial statements, however, they certify that the interim management report contains information on important events affecting the Company during the first six months of the current financial year, including the impact of such events on the Company's financial statements and a description of the principal risks and uncertainties for the remaining six months of the year along with a description of material related party transactions.

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**1.C.2** The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the number of offices held as director or auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size. The board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or auditor held by the directors in the above-mentioned companies and include them in the report on corporate governance.

**1.C.3** The board shall issue guidelines regarding the maximum number of offices as director or auditor for the types of companies referred to in the above paragraph that may be considered compatible with an effective performance of a director's duties. To this end, the board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive or non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group; it may also take into account the participation of the directors in committees established within the ranks of the board.

**1.C.4** If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the Board of Directors shall evaluate each such issue, reporting, at the next shareholders' meeting, the critical ones if any. To this end, each director shall inform the board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.

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The current members of the Board of Directors were appointed also on the basis of recommendations made by the Nominating, Corporate Governance and Sustainability Committee and upon prior verification of the corporate positions held by each of them.

The Report on Corporate Governance contains detailed information on positions held by each director and statutory auditor at other listed companies or companies of significant interest.

The Board of Directors delegated the Nominating, Corporate Governance and Sustainability Committee to evaluate on an annual basis the activities performed by the Board and Committees. Towards the end of 2008 and in the first few months of 2009, the Committee coordinated a self-evaluation by the Board of Directors, described in detail in the Report, which produced positive results on the activities performed by the Board and sub-committees in relation to the number of meetings, effectiveness and efficiency of the work undertaken and contribution to the decision-making process, in addition to the importance of the contribution from the independent directors and cohesive atmosphere within the Board. With regard to the maximum number of positions held, the Board determined that one of the necessary conditions for those serving as directors and statutory auditors is the availability of adequate time to execute their duties in an effective manner. This element is taken into consideration by the Nominating, Corporate Governance and Sustainability Committee when proposing candidates and during the annual self-evaluation process.

In a resolution approved on 13 February 2009, the Board of Directors proposed a number of criteria for determining the independence of directors to the Shareholders, which they approved. These criteria envisage that directors who have been directors of the Group's primary competitors during the last three years cannot be considered independent, except in special cases.

**CORPORATE GOVERNANCE CODE****FIAT S.P.A.****COMPOSITION OF THE BOARD OF DIRECTORS**

**2.P.1** The Board of Directors shall be made up of executive and non-executive directors.

The Board of Directors is made up of three executive directors and twelve non-executive directors.

**2.P.2** Non-executive directors shall bring their specific expertise to board discussions and contribute to the taking of balanced decisions paying particular care to the areas where conflicts of interest may exist.

The existence of an absolute majority of non-executive directors, the high number of independent directors, and the professionalism and experience of all members of the Board of Directors assures compliance with the principle in question.

**2.P.3** The number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgement may have a significant impact on the taking of board's decisions.

See the comments on points 1.C.3 and 2.P.2.

Furthermore, all directors have significant past and present experience at other companies of the size and complexity of Fiat. In this regard, see the comments made at point 3.C.3.

**2.P.4** It is appropriate to avoid the concentration of corporate offices in one single individual.

The model for delegation of powers, which is described in detail in the Report, is based on the fact that the Chairman and Chief Executive Officer have the same powers, and that the Vice Chairman may exercise these powers if the Chairman is absent or prevented from carrying out his role. 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 comment, which states that in principle, the Chairman should not be responsible for operating management of the company.

Accordingly, Fiat has not deemed it necessary to appoint a lead independent director.

**2.P.5** Where the Board of Directors has delegated management powers to the chairman, it shall disclose adequate information in the report on corporate governance on the reasons for such organisational choice.

**2.C.1** The following are executive directors:

- the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers and when they play a specific role in the definition of the business strategies;
- the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer;

Consistently with the definition given in the comment on the Code, the following persons are qualified as executive directors: the Chairman, who is also Chairman of Ferrari S.p.A, the Vice Chairman, who is also Chairman of Itedi S.p.A., and the Chief Executive Officer who, in addition to being Chairman of the principal subsidiaries, including CNH Global N.V. (an NYSE-listed company) is also Chief Executive Officer of Fiat Group Automobiles S.p.A.

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- the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer;

The granting of powers only in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive directors, unless such powers are actually exercised with considerable frequency.

**2.C.2** The directors shall know the duties and responsibilities relating to their office. The chairman of the Board of Directors shall use his best efforts for causing the directors to participate in initiatives aimed at increasing their knowledge of reality and business dynamics, also having regard to the relevant regulatory framework, so that they may carry out their role effectively.

The number of Board of Directors meetings (9 in 2009) and, in various cases, participation at Committee meetings, guarantees that the Board is continuously updated on company operations and market conditions. The Board also receives constant updates on the principal changes in laws and regulations.

**2.C.3** In the event that the chairman of the Board of Directors is the chief executive officer of the company, as well as in the event that the office of chairman is covered by the person controlling the issuer, the board shall designate a lead independent director, who represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below.

Given the current model for delegation of powers adopted by Fiat S.p.A., designation of a lead independent director is not required (see the comment on principle 2.P.4).

## INDEPENDENT DIRECTORS

**3.P.1** An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, nor have recently maintained, directly or indirectly, any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.

In a resolution passed on 13 February 2009, the Board of Directors proposed that Shareholders elect a particularly high number of independent directors to the Board. Shareholders approved the motion.

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**3.P.2** The directors' independence shall be periodically assessed by the Board of Directors. The results of the assessments of the board shall be communicated to the market.

**3.C.1** The Board of Directors shall evaluate the independence of its non-executive members having regard more to the contents than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

- a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;
- b) if he/she is, or has been in the preceding three fiscal years, a relevant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
  - with the issuer, one of its subsidiaries, or any of its significant representatives;
  - with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives; or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;

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Existence of the requirements for independence is determined annually. Whenever a circumstance arises that could potentially cause a director to fail the requirements of independence, directors must report that situation in writing. The results of the assessments are communicated to the market.

In a resolution dated 13 February 2009, the Board of Directors proposed that Shareholders reconfirm the requirements for independence adopted in 2005 and 2006. Shareholders approved the motion at the General Meeting held on 27 March 2009. Those requirements (described below), whose satisfaction by independent directors was attested to by the Board, conform to the recommendations of the Code and are in line with international best practice. In particular, directors may be considered independent where they:

- a) do not directly, indirectly or on behalf of third parties, nor have they within the past three years, maintained an economic or shareholding relationship or relationship of any other nature with the individuals or entities listed below:
  - the Company, its subsidiaries and associates, or companies subject to control by the same entity as the Company;
  - any individual or entity which, including jointly with others, controls the Company, is a member of a shareholder agreement for the control of the Company or exercises significant influence over it;
  - executive directors or managers with strategic responsibilities for those entities;
- b) are not, or have not been within the past three years, executive directors or managers with strategic responsibilities for the entities described in point a);
- c) have not been directors of the Company for more than nine years, including non-successive terms of office;
- d) are not executive directors of companies outside the Group where one or more executive directors of the Company are non-executive directors;
- e) have not, within the past three years, been shareholders or directors of one of the Company's major competitors;

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- d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the “fixed” remuneration of non-executive director of the issuer, including the participation in incentive plans linked to the company’s performance, including stock option plans;
- e) if he/she was a director of the issuer for more than nine years in the last twelve years;
- f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;
- h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

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- f) have not been, within the past three years, shareholders or directors of a rating agency which is currently, or has been within the past three years, responsible for assigning a rating to the Company, a subsidiary of the Company or a company which, including jointly with others, controls the Company;
- g) are not, or have not been within the past three years, partners or directors or members of an audit team – or of an entity forming part of its network – which has been engaged within the past three years to perform audits of the Company, its subsidiaries, companies subject to control by the same entity or any company which, including jointly with others, exercises control or significant influence over it;
- h) are not close relatives of and do not cohabit with individuals who would be ineligible under the preceding points.

Note that:

- criterion a), regarding what the Code addresses in criteria a), c), and d), also extends to the associated companies of the issuer;
- criterion c), regarding what the Code addresses at criterion e), is rendered “absolute” and is not conditioned on reference time periods;
- criterion g) also refers to the members of the audit team;
- criterion h) also refers to the persons who live with the directors.

Finally, directors who have been directors of the Company’s primary competitors or worked for rating agencies during the last three years cannot be considered independent. Where, during the course of such evaluation, the Board identifies the existence of a relationship included in point a), it may express a favourable view only where such relationship can be considered immaterial given its exact nature or amount.

As required by law and the By-laws, two directors also satisfy the requirements of independence set forth in Legislative Decree 58/98.

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**3.C.2** For the purpose of the above, the legal representative, the president of the entity, the chairman of the Board of Directors, the executive directors and executives with strategic responsibilities of the relevant company or entity, must be considered as "significant representatives".

**3.C.3** The number and competences of independent directors shall be adequate in relation to the size of the board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the board, according to the indications set out in the Code. If the issuer is subject to management and coordination activity by third parties or is controlled by a subject operating, directly or through other subsidiaries, in the same sector of activity or in contiguous sectors, the composition of the Board of Directors of the issuer shall be suitable to ensure adequate conditions of autonomous management and, therefore, to pursue in a priority way the objective of the creation of value for the shareholders of the issuer.

**3.C.4** The Board of Directors shall evaluate, after the appointment of a director who qualifies himself / herself as independent, and subsequently at least once a year, on the basis of the information provided by the same director or, however, available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director. The Board of Directors shall notify the result of its evaluations, on the occasion of the appointment, through a press release. The Board of Directors shall evaluate, after the appointment of a director who qualifies himself / herself as independent, and subsequently at least once a year, on the basis of the information provided by the same director or, however, available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director. The Board of Directors shall notify the result of its evaluations, on the occasion of the appointment, through a press release.

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This interpretative criterion is consistent with the one adopted by Fiat (see the previous comment at 3.C.1.)

Since 2005, the company has expanded its Board of Directors to fifteen members. The purpose of this change was, among others, to enable more effective participation by individual directors on the committees established within the Board of Directors and to embrace a wider diversity of knowledge, experience, and opinions at the general and specialized levels and with an international scope, and generally regarding macroeconomic contexts and the globalization of markets, particularly the industrial and financial sectors. Fiat S.p.A. is not subject to direction and coordination by another company.

On the basis of the information provided by the individual concerned or, in any event, information available to the issuer, the Board of Directors reviews annually whether the requirements for independence exist. The results of these assessments are communicated to the market upon election of the directors by Shareholders or their co-optation, and are disclosed annually in this Report.

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**3.C.5** The Board of Auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the board for evaluating the independence of its members.

The result of such controls is notified to the market in the report on corporate governance or in the report of the Board of Auditors to the shareholders' meeting.

**3.C.6** The independent directors shall meet at least once a year without the presence of the other directors.

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Satisfaction of the independence requirements is reviewed by the Board of Directors with the participation of the Board of Statutory Auditors, which can thus verify the procedures used. The Board of Statutory Auditors reports the outcome of these audits in its report to Shareholders.

The independent directors, which make up a majority of the Board, met once during 2009 in the absence of the other directors to review the Board's self-evaluation process. In any event, they always have direct access to management.

## PROCESSING OF COMPANY INFORMATION

**4.P.1** Directors and members of the Board of Auditors shall keep confidential the documents and information acquired in the performance of their duties and shall comply with the procedure adopted by the issuer for the internal handling and disclosure to third parties of such documents and information.

An internal procedure for the processing of confidential information was adopted in 2000. This procedure was implemented through the issue of a specific organizational announcement by the Chief Executive Officer. Following implementation of European market abuse regulations, Fiat S.p.A.'s Board of Directors approved two resolutions (in 2006 and 2007) that led to adoption of the Procedure for internal processing and external disclosure of confidential information. This Procedure contains the rules for establishing and managing the List of persons that have access to inside or potential inside information. It defines the types of "inside," "potential inside," and "confidential" information, indicates the different sections comprising the List, its operating rules, and the roles and duties of the persons delegated to manage this information, cites the laws and regulations that govern disclosure of price sensitive information, and the procedures that data processors must comply with when processing and disclosing this information. This procedure, whose purpose is to establish how information should be monitored and disclosed inside and outside the Group, as well as fulfilment of obligations relating to the List, also states applicable sanctions for employees pursuant to the Code of Conduct and the obligation of directors and statutory auditors to comply with these rules and precautions.

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**4.C.1** The managing directors shall ensure the correct handling of corporate information; to this end they shall propose to the Board of Directors the adoption of a procedure for the internal handling and disclosure to third parties of documents and information concerning the issuer, having special regard to price sensitive information.

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See comment to principle 4.P.1.

**ESTABLISHMENT AND FUNCTIONING OF INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS**

**5.P.1** The Board of Directors shall establish among its members one or more committees with proposing and consultative functions according to what set out in the articles below.

The Fiat Board of Directors has since long established the Nominating and Compensation Committee - which in 2007 was split into the Nominating and Corporate Governance Committee and the Compensation Committee - and the Internal Control Committee. In 2009, the Nominating and Corporate Governance Committee, which was assigned 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 the Nominating, Corporate Governance and Sustainability Committee.

**5.C.1** The establishment and functioning of committees within the Board of Directors shall meet the following criteria:

- a) committees shall be made up of at least three members. However, in those issuers whose Board of Directors is made up of no more than five members, committees may be made up of two directors only, provided, however, that they are both independent;
- b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors;
- c) the functions that the Code attributes to different committees may be distributed in a different manner or demanded from a number of committees lower than the envisaged one, provided that for their composition the rules are complied with those indicated from time to time by the Code and is ensured the achievement of the underlying objectives;
- d) minutes shall be drafted of the meetings of each committee;

In regard to the criteria set forth at point 5.C.1:

- a) all the committees set up by Fiat have three or more members;
- b) the charters that define duties and regulate the work of each committee were approved by the Board of Directors and are periodically updated by it;
- c) the advisory duties entrusted to the Internal Control Committee, the Nominating, Corporate Governance and Sustainability Committee and the Compensation Committee are in line with the provisions of the Code and best practice;
- d) the charter of each committee envisages that minutes of each meeting be taken by the secretary;
- e) the charter of each committee envisages that the committee may avail itself of external consultants at the Company's expense and members of the Board and the Committees are ensured access to the Company's functions and information;
- f) the charter of each committee envisages that other persons may be periodically invited to its meetings when their presence can help improve their work;

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- e) in the performance of their duties, the committees have the right to access the necessary company's information and functions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisers. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the board;
- f) persons who are not members of the committee may participate in the meetings of each committee upon invitation of the same, with reference to individual items on the agenda;
- g) the issuer shall provide adequate information, in the report on corporate governance, on the establishment and composition of committees, the contents of the mandate entrusted to them and the activity actually performed during the fiscal year, specifying the number of meetings held and the relevant percentage of participation of each member.

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- g) detailed information on the activities of the committees is provided in the Annual Report on Corporate Governance.

## APPOINTMENT OF DIRECTORS

**6.P.1** The appointment of Directors shall occur according to a transparent procedure. The procedure shall ensure, inter alia, timely adequate information on the personal and professional qualifications of the candidates.

A voting list system for the election of directors was added to the By-laws in 2007, in accordance with newly introduced legal and regulatory requirements. The amendment grants minority shareholders the right to appoint one director. These minority shareholders must, individually or together with others, own voting shares representing a percentage no lower than the percentage which is mandatory under the applicable laws. With reference to 2009, the minimum percentage as established by Consob was 1% of ordinary shares. The By-laws also require that two directors satisfy the requirements of independence set forth in Legislative Decree 58/98.

For the re-election of the Board of Directors at the General Meeting on 27 March 2009, only one list was submitted by EXOR S.p.A., holder of 30.45% of ordinary shares.

The Directors were elected by Shareholders in compliance with the applicable laws and regulations and the recommendations of the Code. This includes

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advanced submission of the candidatures, together with detailed information on each of the individuals nominated by Shareholders. In particular, the list of candidates for the position of director was deposited at the registered office of Fiat S.p.A. and communicated to the market by the shareholder EXOR S.p.A. 15 days prior to the date set for the General Meeting. The press release issued by EXOR S.p.A. was also published on the Fiat Group website ([www.fiatgroup.com](http://www.fiatgroup.com)).

Attached to the list of candidates were declarations from Roland Berger, René Carron, Luca Garavoglia, Gian Maria Gros-Pietro, Vittorio Mincato, Pasquale Pistorio, Ratan Tata and Mario Zibetti that they satisfied the requirements of independence adopted by Shareholders in 2005 and 2006 and reconfirmed in 2009.

In addition, the candidates Gian Maria Gros-Pietro and Mario Zibetti provided a declaration stating that they also satisfied the requirements of independence pursuant to Legislative Decree 58/98.

**6.P.2** The Board of Directors shall evaluate whether to establish among its members a nomination committee made up, for the majority, of independent directors.

The Nominating and Corporate Governance Committee was established in July 2007 (following the splitting of the former Nominating and Compensation Committee). It inherited the propositive and advisory roles related to nominations, and was further given responsibility for reporting and formulating proposals on corporate governance issues.

In 2009, the Committee was also assigned responsibility for evaluating proposals related to strategic guidelines on sustainability-related issues and for reviewing the annual Sustainability Report. As a consequence of this additional role, the Committee changed its name to the Nominating, Corporate Governance and Sustainability Committee.

The Committee, as with its predecessor, is composed of a majority of independent directors.

**6.C.1** The lists of candidates to the office of director, accompanied by exhaustive information on the personal traits and professional qualifications of the candidates with an indication where appropriate of their eligibility to qualify as independent directors as defined in Article 3, shall be deposited at the company's registered office at least fifteen (15) days before the date fixed for the shareholders' meeting. The lists, complete with the information on the characteristics of the candidates, shall be published in a timely manner through the internet site of the issuer.

See comment to principle 6.P.1.

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**6.C.2** Where established, the committee to propose candidates for appointment to the position of director, may be vested with one or more of the following functions:

- a) to propose to the Board of Directors candidates to the position of director in the events provided by Article 2386, first paragraph, of the Italian Civil Code, as it is necessary to replace an independent director;
- b) to designate candidates to the position of independent director to be submitted to the shareholders' meeting of the issuer, taking into account any recommendation in this regard received from shareholders;
- c) to express opinions to the Board of Directors regarding the size and composition of the same as well as, possibly, with regard to the professional skills whose presence within the board is considered appropriate.

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The Nominating, Corporate Governance and Sustainability Committee performs all of the functions indicated in the principle and, in addition, conducts an annual assessment of the activity of the Board of Directors and its committees and periodically updates the Board on changes in corporate governance rules, while also making proposals for modifications to them. It also has responsibility for evaluating proposals related to strategic guidelines on sustainability-related issues and for reviewing the annual Sustainability Report.

## COMPENSATION OF DIRECTORS

**7.P.1** The remuneration of directors shall be established in a sufficient amount to attract, maintain and motivate directors endowed with the professional skills necessary for managing the issuer successfully.

The compensation of directors is in line with that of other Italian and international companies comparable to Fiat.

**7.P.2** The remuneration of executive directors shall be articulated in such a way as to align their interests with pursuing the priority objective of creating value for the shareholders in a medium-long term timeframe.

Consistently with the comments provided to principle 2.P.4, the compensation of the Chief Executive Officer is composed of a fixed portion and a variable portion which is linked to the achievement of predetermined targets. The Fiat Board assigned the Chairman and the Vice Chairman a fixed compensation.

**7.P.3** The Board of Directors shall establish among its members a remuneration committee, made up of non- executive directors, the majority of which are independent.

In July 2007, following the splitting of the Nominating and Compensation Committee, the Compensation Committee was established and is entirely composed of independent, non-executive directors with a propositive and advisory role for compensation issues.

**7.C.1** A significant part of the remuneration of executive directors and executives with strategic responsibilities is linked to the economic results achieved by the issuer and/or the achievement of specific goals indicated in advance by the Board of Directors or, in the event of the above-mentioned executives, by the managing directors.

See the comments to principles 7.P.1 and 7.P.2 in regard to the executive directors.

Managers with strategic responsibilities receive fixed and variable compensation. The payment and amount of the variable compensation depend exclusively on the financial results of the Group and/or achievement of specific targets.

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**7.C.2** The remuneration of non-executive directors shall be proportional to the engagement requested from each of them, taking into account their possible participation in one or more committees. Their remuneration shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of stock option or equity based remuneration plans, unless it is so decided by the shareholders' meeting, which shall also give the relevant reasons.

**7.C.3** The remuneration committee shall:

- formulate proposals to the board for the remuneration of the managing directors and other directors who cover particular offices, monitoring the application of the decisions adopted by the board;
- periodically evaluate the criteria adopted for the remuneration of executives with strategic responsibilities, control their application on the basis of the information provided by the managing directors and submit to the Board of Directors general recommendations on the subject matter thereof.

**7.C.4** No director shall participate in meetings of the remuneration committee in which proposals are submitted to the Board of Directors relating to his/her remuneration.

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The compensation of non-executive directors complies with the recommendations set forth in the Code and consists of a fixed fee and an attendance fee for each board or committee meeting attended by directors.

The Board entrusted the Compensation Committee with the duty of submitting to the Board proposals with respect to individual compensation plans for the Chairman, the Chief Executive Officer and other Directors vested with particular offices. The Committee is also entrusted with the duty of examining proposals presented by the Chief Executive Officer regarding compensation and performance evaluation of members of the Group Executive Council and managers with strategic responsibility, performance evaluation criteria and general fixed and variable compensation plans applicable at Group level as well as incentives and stock option plans. Finally, it has the duty of assessing particular and specific matters relating to executive compensation when requested by the Board of Directors.

The rule was constantly observed.

**INTERNAL CONTROL SYSTEM**

**8.P.1** The internal control system is the set of rules, procedures and organizational structures aimed at making possible a sound and correct management of the company consistent with the established goals, through adequate identification, measurement, management and monitoring of the main risks.

In May 1999, Fiat adopted an Internal Control System based on a model derived from the COSO Report, following which the "Internal Control Policies and Procedures" were disseminated throughout the Group and an Internal Control Committee established.

During 2002, the Board of Directors formulated a more detailed Charter for the Internal Control Committee, which underwent a further revision in September 2005. Fiat also adopted "Guidelines for the Internal Control System" which came into effect on 1 January 2003.

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**8.P.2** An effective internal control system contributes to safeguard the company's assets, the efficiency and effectiveness of business transactions, the reliability of financial information, the compliance with laws and regulations.

**8.P.3** The Board of Directors shall evaluate the adequacy of the internal control system with respect to the characteristics of the company.

**8.P.4** The Board of Directors shall ensure that its evaluations and decisions relating to the internal control system, the approval of the balance sheets and the half yearly reports and the relationships between the issuer and the external auditor are supported by an adequate preliminary activity. To such purpose the Board of Directors shall establish an internal control committee, made up of non-executive directors, the majority of which are independent. If the issuer is controlled by another listed company, the internal control committee shall be made up exclusively of independent directors.

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Fiat has established a system of risk management and internal control over financial reporting based on the model provided in the COSO Report, according to which the internal control system is defined as a set of systems, procedures and instruments designed to provide reasonable assurance of the achievement of corporate objectives. In relation to the financial reporting process, those objectives are the reliability, accuracy, completeness and timeliness of the information itself. Risk management constitutes an integral part of the internal control system. The periodic evaluation of the system of internal control over financial reporting is designed to ensure the collective effectiveness of the components of the COSO Framework model (control environment, risk assessment, control activities, information and communication, monitoring) in achieving those objectives.

Detailed information on the system of internal control over financial reporting is provided in Section III of this Report, under "System of Risk Management and Internal Control over Financial Reporting".

With the constant advice and support of the Internal Control Committee, the Board of Directors assesses the adequacy of the Internal Control System and of the administrative and accounting procedures for the preparation of the consolidated and parent company financial statements and other financial reporting drawn up by the managers responsible for the preparation of the Company's financial reports. The Board also supervises their effective implementation.

The Internal Control Committee consists of three independent directors, all of whom have extensive experience in financial matters. The mission of the Committee is to assist the Board of Directors in discharging its own duties by providing it with advice and proposals concerning the reliability of the accounting system and financial information, the Internal Control System, relations with the independent auditors and supervision of internal audit activities. A detailed description of the duties assigned to the Committee is contained in the relevant Charter enclosed to the

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At least one member of the committee must have an adequate experience in accounting and finance, to be evaluated by the Board of Directors at the time of his/her appointment.

**8.C.1** The Board of Directors, with the assistance of the internal control committee, shall:

- a) define the guide-lines of the internal control system, so that the main risks concerning the issuer and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, determining, moreover, the criteria for determining whether such risks are compatible with a sound correct management of the company;
- b) identify an executive director (usually, one of the managing directors) for supervising the functionality of the internal control system;
- c) evaluate, at least on an annual basis, the adequacy, effectiveness and actual functioning of the internal control system;
- d) describe, in the report on corporate governance, the essential elements of the internal control system, expressing its evaluation on the overall adequacy of the same.

Moreover, the Board of Directors shall, upon proposal of the executive director in charge of supervising the functionality of the internal control system and after consulting with the internal control committee, appoint and revoke one or more persons in charge of internal control and define their remuneration in line with the company's Policies.

**8.C.2** The Board of Directors shall exercise its functions relating to the internal control system taking into due consideration the reference models and the best practices existing on the national and international fields. Particular attention shall be devoted to the organization and management models adopted pursuant to legislative decree no. 231 of 8th June 2001.

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Report. The Board of Statutory Auditors, representatives of the independent auditors, the Compliance Officer, the managers responsible for the preparation of the Company's financial reports and other executives of the Company, usually from the administrative, control, finance and legal functions, shall participate in Committee meetings.

In 2002, the Fiat Board of Directors defined the Guidelines for the Internal Control System, which were subsequently updated in 2003, and, in accordance with the recommendations of the Code, it closely monitors all issues regarding the Internal Control System through careful assessment of the work and reports of the Internal Control Committee. The Chairman of the Internal Control Committee gives a report on the committee's activity at every Board of Directors meeting. The Chief Executive Officer is responsible for the Internal Control System. Upon proposal by the Chief Executive Officer, the Board of Directors appoints and dismisses the Compliance Officer, whose compensation is determined in accordance with company policies. The Compliance Officer reports to the Chief Executive Officer, the Internal Control Committee and the Board of Statutory Auditors.

As far as adherence to best practices is concerned, see the comment to principle 8.P.1. The Board of Directors devotes special attention to the Company's Compliance Program which, as indicated in the Report, is constantly updated.

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**8.C.3** In addition to assisting the Board of Directors in the performance of their duties set out in criterion 8.C.1, the internal control committee shall:

- a) evaluate together with the executive responsible for the preparation of the company's accounting documents and the auditors, the correct utilization of the accounting principles and, in the event of groups, their consistency for the purpose of the preparation of the consolidated balance sheet;
- b) upon request of the executive director, express opinions on specific aspects relating to the identification of the principal risks for the company as well as on the design, implementation and management of the internal control system;
- c) review the work plan prepared by the officers in charge of internal control as well as the periodic reports prepared by them;
- d) evaluate the proposals submitted by the auditing firm for obtaining the relevant appointment, as well as the work plan prepared for the audit and the results described in the report and the letter of suggestions, if any;
- e) supervise the validity of the accounting audit process;
- f) perform any additional duties that are assigned to it by the Board of Directors;
- g) report to the board, at least on a half yearly basis, on the occasion of the approval of the balance sheet and the half yearly report, on the activity carried out, as well as on the adequacy of the internal control system.

**8.C.4** The chairman of the Board of Auditors or another auditor designated by the chairman of the board shall participate in the works for the internal control.

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On the basis of its Charter, the duties of the Internal Control Committee are, among other things, to:

- assist the Board of Directors in the definition of guidelines for the Internal Control System;
- assist the Board of Directors with periodic audits of the appropriate and actual functioning of the Internal Control System in order to ensure identification and proper handling of the principal risks faced by the Company;
- assess the operating plan prepared by the Compliance Officer and receive his periodic reports;
- report to the Board of Directors on the adequacy of the Internal Control System at least once every six months, at the time the annual report and first-half report are approved;
- assess the organizational position and ensure the actual independence of the Compliance Officer in the performance of his duties in accordance with, among other things, Legislative Decree no. 231/2001 on the administrative liability of companies;
- assess (a) the adequacy of adopted accounting principles; (b) their uniformity in view of preparation of the consolidated financial statements and their correct use;
- assess the proposals received from candidates for the position of independent auditors and submit to the Board of Directors the motion for engagement of the independent auditors, which the Board of Directors will then submit to Shareholders;
- upon recommendation by the Chief Administrative Officer, grant prior approval to the independent auditors or other entities belonging to the auditor's network to perform non-auditing services;
- examine any problems raised by the independent auditors;
- assess the position and organizational structure of Internal Audit.

The managers responsible for the preparation of the Company's financial reports participate in Committee meetings.

The Board of Statutory Auditors and representatives of the independent auditors participate in Committee meetings.

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**8.C.5** The executive director responsible for supervising the functionality of the internal control system, shall:

- a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board of Directors;
- b) implement the guidelines defined by the Board of Directors, through the design, implementation and management of the internal control system, constantly monitoring its overall adequacy, effectiveness and efficiency; moreover, it shall adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;
- c) propose to the Board of Directors the appointment, revocation and remuneration of one or more persons in charge of internal control.

**8.C.6** Each person in charge of internal control shall:

- a) ensure that the internal control system is always adequate, fully operating and effective;
- b) not be responsible for any operational divisions and shall not report hierarchically to any manager of operational divisions, including the administration and finance divisions;
- c) have direct access to all useful information for the performance of his/her duties;
- d) have the availability of adequate means for the performance of the functions assigned to him/her;
- e) report about his/her activity to the internal control committee and the board of auditors; moreover, they could be required to report also to the executive director responsible for the supervision of the functionality of the internal control system. In particular, he/she shall report about the procedures according to which the risk management is conducted, as well as about the compliance with the plans defined for their reduction and express his/her evaluation of the internal control system to achieve an acceptable overall risk profile.

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See the previous comments to points 1.C.1 and 2.P.4 and the subsequent comment to 8.C.6.

The Compliance Officer is appointed by the Board of Directors and does not report to any operating managers but solely to the Chief Executive Officer, the Internal Control Committee, and the Board of Statutory Auditors.

The Compliance Officer is responsible for:

- a) assisting the executive directors in the design, management and monitoring of the Internal Control System;
- b) reviewing the results of the audit activities performed by the Internal Audit function to verify any weaknesses of the Internal Control System and requesting, whenever necessary, that specific checks be carried out to identify any shortcomings and the need for improvement of internal control processes;
- c) verifying, with the aid of the internal audit function, that the rules and procedures constituting the terms of reference of the control processes be applied and that the various entities operate in compliance with set objectives;
- d) annually preparing a work plan and submitting it to the Internal Control Committee;
- e) drawing up, once every six months, a report on the activities that he carried out and submit it to the executive directors, the Internal Control Committee and the Statutory Auditors.

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Currently, the Compliance Officer is the Head of the Internal Audit function and relies on the professional assistance of Fiat Revi, a consortium company with adequate organizational and operating resources that performs the internal audit function within the Group. The Head of the Internal Audit function is the Chief Executive Officer of Fiat Revi.

**8.C.7** The issuer shall establish an internal audit function. The person responsible for internal control shall usually coincide with the person responsible for the internal audit function.

See the last paragraph of the previous comment.

**8.C.8** The internal audit functions may be entrusted, as a whole or by business segments, to persons external to the issuer, provided, however, that they are endowed with adequate professionalism and independence; these persons may also be responsible for the internal control. The adoption of such organizational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the report on corporate governance.

See comment to the last paragraph of point 8.C.6.

## DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

**9.P.1** The Board of Directors shall adopt measures aimed at ensuring that the transactions in which a director is bearer of an interest, on his/her behalf or on behalf of third parties, and transactions carried out with related parties, are performed in a transparent manner and meet criteria of substantial and procedural fairness.

As previously mentioned, the "Guidelines for Significant Transactions and Transactions with Related Parties" that are included in the Report define specific criteria in terms of substance and procedure applicable to all transactions with related parties.

Then, the Board of Directors is principally responsible for monitoring the transactions in which a director has an interest. The presence of a high number of independent directors represents an additional protection.

**9.C.1** The Board of Directors shall, after consulting with the internal control committee, establish approval and implementation procedures for the transactions carried out by the issuer, or its subsidiaries, with related parties. It shall define, in particular, the specific transactions (or shall determine the criteria for identifying those transactions), which must be approved after consulting with the internal control committee and/or with the assistance of independent experts.

See previous comment.

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**9.C.2** The Board of Directors shall adopt operating solutions suitable to facilitate the identification and an adequate handling of those situations in which a director is bearer of an interest on his/her behalf or on behalf of third parties.

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See comment to principle 9.P.1.

**MEMBERS OF THE BOARD OF STATUTORY AUDITORS**

**10.P.1** The appointment of auditors shall occur according to a transparent procedure. It shall ensure, inter alia, timely adequate information on the personal and professional characteristics of the candidates.

Pursuant to Legislative Decree 58/98 and in accordance with Article 17 of the Company's By-laws, appropriately constituted minority groups have the right to appoint one regular auditor, who shall serve as Chairman, and one alternate auditor. In accordance with the By-laws, the minimum equity interest required for submission of a list of candidates is set at a percentage no lower than that required by law for the submission of lists of candidates for the appointment of the Company's Board of Directors. With reference to 2009, in accordance with the communication issued by Consob and in relation to the Company's market capitalisation in the last quarter of 2008, the required minimum percentage was 1% of ordinary shares.

For the re-election of the Board of Statutory Auditors at the General Meeting on 27 March 2009, that percentage was reduced to 0.5%, as required by law, thereby enabling shareholders which together held 0.97 % of ordinary shares to submit a minority list.

The regular auditors Giuseppe Camosci and Piero Locatelli were elected from the list presented by the majority shareholder, EXOR S.p.A., while Riccardo Perotta, Chairman of the Board of Statutory Auditors, was elected from the minority list receiving the highest number of votes. A complete list of the shareholders that submitted the list is provided in Section III of the Report. Together with the lists referred to above, certifications were submitted by authorised intermediaries verifying ownership of the shares represented, as well as, for the minority list, declarations stating that no relationship (as defined under Article 144-*quinquies* of the Issuer Regulations) exists with shareholders having, individually or jointly, a controlling stake or relative majority in the Company.

Contemporaneously, declarations from each candidate accepting the nomination were provided, stating that no basis for ineligibility or incompatibility exists and

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confirming that they satisfy the requirements of law and the By-laws to serve as statutory auditor of the Company.

Finally, curricula vitae containing information on the personal and professional characteristics of each candidate were attached, together with a list of positions of director or statutory auditor held at other companies and considered by law as significant. The most important positions are detailed in this report. These documents are available in the Investor Relations section of the Fiat Group website ([www.fiatgroup.com](http://www.fiatgroup.com)).

**10.P.2** The auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.

The rule was constantly observed. Fiat believes that the independence of its Board of Statutory Auditors is guaranteed by the requirements of independence and professionalism prescribed by law and the By-laws and the unquestioned professional authoritativeness that has always distinguished its members.

**10.P.3** The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the board of auditors.

Fiat provides the members of the Board of Statutory Auditors with the highest level of cooperation. This includes meetings with management, participation in meetings of the Internal Control Committee, and direct contact with the Compliance Officer in matters involving the Whistleblowing Procedures.

The Board of Statutory Auditors may also request that independent consultants be appointed in regard to particularly complex matters.

**10.C.1** The lists of candidates to the position of auditor, accompanied by detailed information on the personal traits and professional qualifications of the candidates, shall be deposited at the company's registered office at least fifteen (15) days before the date fixed for the shareholders' meeting. The lists, complete of the information on the characteristics of the candidates shall be timely published through the internet site of the issuer.

The Statutory Auditors were elected by Shareholders on 27 March 2009 in compliance with the law and recommendations set forth in the Code, including the prior submission of the lists of candidates by Shareholders with detailed information on each of the candidates proposed. The lists and details of the candidates were published appropriately in advance on the Company's website.

See comment to principle 10.P.1.

**10.C.2** The auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to

The members of the Board of Statutory Auditors satisfy the requirements of integrity, professionalism, and independence prescribed by law and envisaged in the

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the directors. The Board of Auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, including the result of such verification in the report on corporate governance.

By-laws and possess the criteria set forth by the Code to be qualified as independent directors. The Board of Statutory Auditors annually reviews satisfaction of these requirements and the results of these assessments are provided in the Company's Financial Statements.

**10.C.3** The auditors shall accept the appointment when they believe that they can devote the necessary time to the diligent performance of their duties.

The procedure for submitting the names of candidates envisages simultaneous acceptance by the candidates themselves. This assures that only those individuals who have guaranteed they will have the time necessary to discharge their duties are elected. In addition, Statutory Auditors are required to comply with regulatory restrictions as to the number of concurrent positions they may hold.

**10.C.4** An auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other auditors and the chairman of the board about the nature, the terms, origin and extent of his/her interest.

The rule was constantly observed.

**10.C.5** The board of auditors shall monitor the independence of the auditing firm, verifying both the compliance with the provisions of law and regulation governing the subject matter thereof, and the nature and extent of services other than the accounting control provided to the issuer and its subsidiaries by the same auditing firm and the entities belonging to the network of the same.

In compliance with the provisions of the Group Procedure for the Engagement of Audit Firms, the Board of Statutory Auditors performs this task, coordinating its work with the Internal Control Committee.

**10.C.6** In the framework of their activities, the auditors may demand from the internal audit function to make assessments on specific operating areas or transactions of the company.

See comment to principle 10.P.3.

**10.C.7** The board of auditors and the internal control committee shall timely exchange material information for the performance of their respective duties.

See comment to principle 8.P.4.

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## RELATIONS WITH SHAREHOLDERS

**11.P.1** The Board of Directors shall take initiatives aimed at promoting the broadest participation possible of the shareholders in the shareholders' meetings and making easier the exercise of the shareholders' rights.

Establishing and maintaining an ongoing dialogue with its shareholders and institutional investors is a principal concern for the Company and dedicated entities have therefore been created to this end. Shareholders may access conference calls with analysts through the website ([www.fiatgroup.com](http://www.fiatgroup.com)) which is used to publish in real time the material discussed on those occasions.

The website is also used to publish institutional information, periodic and extraordinary operating and financial information, the corporate calendar, and corporate governance documentation.

A toll-free number in Italy (800-804027) and two e-mail addresses ([serviziotitoli@fiatgroup.com](mailto:serviziotitoli@fiatgroup.com) and [investor.relations@fiatgroup.com](mailto:investor.relations@fiatgroup.com)) can be used to request information on transactions relevant to shareholders.

**11.P.2** The Board of Directors shall endeavour to develop a continuing dialogue with the shareholders based on the understanding of their reciprocal roles.

See previous comment.

**11.C.1** The Board of Directors shall use its best efforts for ensuring that access to the information concerning the issuer that is material for its shareholders is timely and easy to access, so as to allow the shareholders an informed exercise of their rights. To such purpose, the issuer shall establish a specific section on its internet site that may be easily identified and accessed, in which the above-mentioned information is available, with particular reference to the procedures provided for the participation and the exercise of the voting right in the shareholders' meetings, as well as the documentation relating to items on the agenda of the shareholders' meetings, including the lists of candidates for the positions of director and auditor with an indication of the relevant personal traits and professional qualifications.

See comment to principle 11.P.1.

**11.C.2** The Board of Directors shall ensure that a person is identified as responsible for handling the relationships with the shareholders and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function.

Relations with shareholders are maintained by the specific structures of the Company (Investor Relations and Company secretary).