

# 4 – Group Procedure for the Engagement of Auditing Firms

## PURPOSE AND APPLICABILITY OF PROCEDURE

The purpose of this procedure (hereafter: Procedure) is to regulate the engagement (hereafter: Engagement) of auditing firms and other related parties, by FIAT S.p.A. (hereafter: FIAT or Parent Company) and by its subsidiary companies (hereafter: Subsidiaries), in order to safeguard the principle of independence of the firms engaged to audit the financial statements.

The term “related parties” signifies those companies or professional firms who maintain an ongoing relationship (so-called “network”) with the auditing firms engaged in accordance with Article 155 of the Italian Legislative Decree 58/98 (Consob Communication DAC/RM/96003558 of April 18, 1996 and the subsequent addendum DEM/3030464 of May 12, 2003).

## GROUP AUDITORS

The auditing firm, engaged by FIAT in accordance with the requirements of Article 155 of Italian Legislative Decree 58/98, is the primary auditor for the whole FIAT Group (hereafter: Group) and is consequently the firm that must be utilised, also by the Subsidiaries, for the audit Engagement as per Article 165 of the above mentioned decree.

The eventual alternative utilisation of other (secondary) auditing firms by the Subsidiaries must be subject to prior approval by the Compliance Officer at FIAT, as per the “Approval Procedures” indicated below.

## ENGAGEMENT CATEGORIES AND LIMITATIONS

The Procedure includes certain engagement limitations for the Group Companies, deriving from Italian and US legislation, because the FIAT shares are listed also on the New York Stock Exchange (NYSE). It incorporates also the further restrictions, imposed by local legislation, applicable to the individual non-Italian Subsidiaries.

The Group Companies may engage the primary or secondary Group auditors as well as their related parties (hereafter: Group Auditors) only for auditing services, in accordance with the procedures set out below.

In particular:

### **1. The Group Auditors shall be engaged for the following Audit Services:**

- a. audit of the annual and infra-annual financial statements in conformity with legislation and applicable regulations (including also the audit of the “annual report” in accordance with US regulations applicable to companies listed in the United States);
- b. audit of the annual and infra-annual consolidation packages;
- c. audit reports or opinions on specific operations which, by law, are required to be provided by the auditor engaged for the audit of the financial statements;
- d. audit of reports required by domestic and supranational Administrative entities (e.g. European Union) for the granting of contributions/financing of specific initiatives/projects;
- e. “comfort letters” in connection with the issue of financial instruments, for capital raising activities undertaken by the Company and its Subsidiaries;

- f. auditing activity necessary to obtain the attestation in regard to the Internal Control System, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

**2. The Group Auditors may, at the conditions and within the limits specified below, be engaged for the following Audit Related Services:**

- a. authorised audit activity in the following areas:
  - financial due diligence procedures for companies subject to acquisition or disposal;
  - procedures carried out in areas concerning the Internal Control System, in support of internal auditor;
  - review procedures for associated companies, contemplated by joint venture agreements (under the so-called audit rights);
  - financial or compliance audits of the employee benefit plans of the Company or its Subsidiaries;
- b. opinions on accounting and reporting issues, including advice on the application of (i) new accounting principles and new legislation concerning financial and statutory reporting, (ii) accounting principles prevailing in other countries, (iii) rules and regulations issued by internal or external supervisory boards.

**3. The Group Auditors shall not, unless otherwise specified in the "Approval Procedures" indicated below, be engaged for Non Audit Services (Tax and Other). For example, the following activities are not permitted:**

Tax

- a. development of transfer pricing or cost segregation policies, or other fiscal evaluations;
- b. fiscal planning assistance and related matters, even if relating to company reorganisation projects;
- c. fiscal consultancy support and related matters with regard to all tax returns presented by the Company or its Subsidiaries;

Other

- d. consultancy support for treasury management;
- e. strategic planning or risk management assistance;
- f. consultancy advice in regard to incorporation of companies following merger operations;
- g. consultancy services for real estate matters.

**4. It is expressly prohibited to engage the Group Auditors for activities of the following nature (classified as "Prohibited Services"):**

- a. bookkeeping or other services related to the accounting records or financial statements of the Company or any of its Subsidiaries, including (i) maintaining or preparing the accounting records of the Company or any of its Subsidiaries; (ii) preparing financial statements that are filed with the US Securities and Exchange Commission (hereafter: SEC) or the information that forms the basis of such financial statements; (iii) originating source data for such financial statements; and (iv) statutory audits of financial statements if such statements form the basis of financial statements filed with the SEC;
- b. appraisal or valuation services (e.g. with respect to in-process R&D, financial instruments, assets and liabilities acquired in a merger and real estate), fairness opinions (except to the extent required by

Italian regulations or specific local legislation and qualifying for a specific exemption granted by the SEC) and contribution-in-kind reports;

- c. actuarial services, including insurance actuarial-orientated advisory services unless the Company or relevant Subsidiary uses its own actuaries or third party actuaries to provide management with the primary actuarial capabilities, and management accepts responsibility for actuarial methods and assumptions;
- d. management functions or human resources. In particular, partners and employees of the independent auditor may not act as director, officer or employee of the Company or any Subsidiary, or perform any decision-making, supervisory, or ongoing monitoring function for the Company or any Subsidiary, nor may the independent auditor recruit, test or otherwise evaluate employees or prospective employees or advise that the Company or any Subsidiary, employ any candidate or negotiate the terms of employment on behalf of the Company or any Subsidiary;
- e. broker - dealer, investment advisory or investment banking services, including any recommendation to the Company or any Subsidiary as to the investments or investment strategies;
- f. legal services and expert services unrelated to the audit, including any service in which the person providing the service must be admitted to practice law before the courts of a US jurisdiction, whether the person is a US, or non-US lawyer;
- g. internal audit outsourcing, relating to accounting controls, financial systems, or financial statements;
- h. financial information systems design and implementation relating to the financial statements or accounting records of the Company or any of its Subsidiaries, including any hardware or software that aggregates source data that is "significant" to financial statements of the Company or any of its Subsidiaries (i.e. the information is reasonably likely to be material to the financial statements, taking into account the general nature of the information, rather than only the output during the period of the audit engagement);

and any other services for which the Group Auditors cannot be engaged pursuant to Italian laws or which are prohibited by the SEC and the Public Company Accounting Oversight Board, principally in consideration of the fact that Fiat shares are listed also on the NYSE.

## **APPROVAL PROCEDURE**

### ***Audit engagements - Article 155 of Italian Legislative Decree 58/98 (Audit Services 1.a/1.b)***

With regard to the audit Engagements in accordance with Articles 155 and 165 of Italian Legislative Decree 58/98, as well as the requirements of eventual local legislation, it should be noted that:

- for the purposes of the proposed three-year engagement of the auditing firm, enrolled in the special CONSOB register, the audit plan is defined by both the relevant Functions and the Compliance Officer of FIAT S.p.A., with the involvement of Fiat Revi (a consortium company providing Internal Audit services within the ambit of the FIAT Group) and with the cooperation of the sector Sub-holding Companies;
- the eventual changes to be made to the above mentioned audit plan, including any variation of terms, conditions and fees, as well as the engagement of the secondary Group auditors, must be promptly communicated to the Compliance Officer and be justified by the Sector Sub-holding Company by transmission of the appropriate and duly documented explanation form (a specimen copy of which is attached).

The Compliance Officer submits to the Internal Control Committee the audit plan together with the proposed changes for the necessary subsequent action by the Corporate Entities concerned, in regard to

the engagement of the Group Auditors. The proposals to be submitted by the Board of Statutory Auditors to the Stockholders Meeting for approval must be motivated.

### ***Other “Audit Services” (points 1.c to 1.f)***

The engagement of the Group Auditors for the activities falling within this category is subject to a prior review by Fiat Revi with regard to the techno-economic aspects. Fiat Revi regularly reports to the Compliance Officer on the subject matter of such activities.

### ***“Audit Related” Services***

With regard to the engagement of the Group Auditors for the above activities, in order to safeguard the principle of independence:

- the FIAT Board of Directors, after consultation with the Board of Statutory Auditors, annually approves a maximum expenditure amount which is communicated to the Compliance Officer, and does not exceed 25% of the overall cost of Engagements for “audit services” envisaged for the year;
- the above mentioned Engagements by the Group Companies are authorised by the Compliance Officer, within the ambit of the said maximum expenditure amount, subject to a prior review by Fiat Revi with regard to the techno-economic aspects;
- the proposals for eventual Engagements, not included in the envisaged maximum expenditure amount, are submitted by the Compliance Officer for review to the Internal Control Committee, which formulates a motivated justification and presents the proposal to the Board of Directors which - after having consulted the Board of Statutory Auditors – resolves on the initiative.

### ***Non Audit Services***

The Group Auditors shall not be engaged for this category of services. Any currently existing contracts may remain in force until their natural expiry and cannot be renewed, not even in the case of tacit renewal, unless in exceptional cases and following written approval by the Compliance Officer.

## **COST REPORTING**

In order to provide the Compliance Officer and the Internal Control Committee with the necessary information on costs incurred, at least every six months Fiat Revi carries out a survey of the fees paid to the Group Auditors for the “Audit”, “Audit related” and “Non Audit” activities described above, and when requested by the Compliance Officer, also for the fees paid to other auditing firms and their related parties.

With regard to the costs incurred for the above mentioned activities, Fiat Revi will carry out appropriate analyses to verify:

- the existence of the authorisation for the Engagement;
- the amount paid to the auditing firm for the Engagement;
- the due communication to Fiat Revi, during the course of the above said survey, of the information concerning costs incurred.

The Internal Control Committee annually informs the Board of Directors and Board of Statutory Auditors of the costs incurred for the above Engagements as well as the situation of the existing contracts.

Approved: Board of Directors Meeting of December 23, 2004

In force: January 1, 2005

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