

# PROCEDURES FOR TRANSACTIONS WITH RELATED PARTIES

PURSUANT TO ARTICLE 4 OF CONSOB REGULATION 17221  
OF 12 MARCH 2010, AS AMENDED

**Fiat S.p.A.**

Registered Office: 250 Via Nizza, Turin (Italy)

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## PREFACE

On 21 October 2010, the Board of Directors, having received a favorable opinion from the Internal Control Committee, adopted the “Guidelines for procedures for transactions with related parties”, which set out general principles and recommendations aimed at ensuring full transparency and substantial and procedural fairness in transactions with related parties.

The Guidelines define, *inter alia*, the role and function of a Committee of independent directors with responsibility for reviewing transactions with related parties, the composition of the Committee depending of the type of transaction under consideration, the determination of related parties and the procedure for collecting information in advance, the definition of thresholds for significant and minor transactions, any exemptions from the procedures to be applied, and the corporate entities responsible for administering the procedures.

Specifically, the Board of Directors established that the Internal Control Committee (constituted entirely of independent directors) shall have responsibility for reviewing transactions with related parties, with the exception of matters relating to remuneration for which the Compensation Committee (also constituted entirely of independent directors) shall be responsible. It also delegated the Internal Control Committee responsibility for drafting the formal procedures in conformity with the Guidelines.

The Procedures, which comply with Consob Regulation 17221 of 12 March 2010 (hereinafter the “Regulation”) and the Consob Communication of 24 September 2010 (hereinafter the “Communication”), shall take effect from 1 January 2011 and have been published on the website of Fiat S.p.A. (hereinafter the “Company”): [www.fiatgroup.com](http://www.fiatgroup.com)

## 1. DEFINITIONS

For the purposes of these Procedures, the following definitions shall apply.

**“Independent Directors”:** directors who satisfy the requirements of independence adopted by the Company in 2005 which conform with the Recommendations of the Corporate Governance Code for Italian Listed Companies published in March 2006. On the basis of the Communication, the requirements established in the Corporate Governance Code are considered at least equivalent to those established in Article 148 (c.3) of Legislative Decree 58/98. In particular, directors may be considered independent if 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 executives with strategic responsibilities for those entities;*
- b) *are not, or have not been within the past three years, executive directors or executives 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 been, within the past three years, shareholders or directors of one of the Company’s major competitors;*

- 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.

The independence of directors is evaluated by the Board of Directors. Where, during the course of such evaluation, the Board identifies the existence of a relationship included in point a), it may express a favorable view only where such relationship can be considered immaterial given its exact nature or amount.

**“Non-related Directors”:** directors who are not themselves counterparty to a transaction, nor related to any counterparty to that transaction.

**“Committee”:** the Company’s Internal Control Committee shall serve as the Committee, with the exception of matters relating to remuneration for which the Company’s Compensation Committee shall be responsible.

Should one or more Committee members be related to counterparties in a transaction under consideration, they must disclose that relationship to the Committee Chairman.

If, in relation to a specific transaction, the number of independent, non-related directors does not correspond to the minimum required by the Regulation, the Committee shall, as appropriate, be supplemented by one or more other directors who satisfy the requirements. The appointment shall be made by the Chairman of the Board of Directors or, should he be a related party, by the Chairman of the Committee or, in his absence, by the other two members of the Committee. For Non-significant Transactions, the Committee is to be composed exclusively of non-executive, non-related directors (the majority of whom are independent), whereas for Significant Transactions it must be composed exclusively of non-related, independent directors.

Where, despite the foregoing, it is not possible to form the Committee due to the relationships which may exist, the Committee’s function shall be carried out by the Company’s Board of Statutory Auditors.

The Committee may also engage one or more independent experts, in accordance with the provisions of the Charter of the Internal Control Committee.

**“Standard or market terms”:** means the normal conditions applicable for non-related parties in transactions of a similar nature, size and risk or conditions based on regulated tariffs, fixed prices or those applicable for entities with which the Company is bound by law to contract at a pre-determined level of consideration.

These conditions also include those based on price lists made publicly available by Group companies, or those normally applied for best customers.

Documentation provided in relation to the transaction must contain objective evidence of the above.

**“Significant Interest”:** for the purposes of these Procedures, the determination of the significance of a related party’s interest in a transaction shall be based on the nature of the transaction, its value, as well as any other element considered relevant. As a general rule, that determination is to be made by the managers responsible for preparing the Company’s financial reporting, who may consult with the Committee or, as appropriate, be assisted by independent experts.

Interests resulting merely from the fact that the Company shares one or more directors or executives with strategic responsibilities with a subsidiary or associate shall not be considered significant interests.

An interest may be considered significant where, in addition to the sharing of one or more directors or executives with strategic responsibilities, those individuals are beneficiaries of incentive plans based on financial instruments that depend significantly on the results attained by subsidiaries or associates involved in the transaction. Determination of the significance of that interest should take into consideration the weighting of compensation directly dependent on the subsidiary's performance (including incentive plans) in relation to the total compensation of the director or executive with strategic responsibilities.

**“Related-party Transaction”:** any transfer of resources, services or obligations between related parties, with or without consideration.

These shall include:

- mergers, demergers (*scissione per incorporazione* or *scissione in senso stretto* as defined under Italian law) with a non-proportional allotment of shares to existing shareholders and capital increases, on a non-rights basis, to a related party;
- any decision on the allocation of compensation and other economic benefits, in any form, to members of the boards of directors and statutory auditors and to executives with strategic responsibilities.

Demergers with a proportional allotment of shares to existing shareholders and rights issues are excluded.

**“Minor Transactions”:** transactions less than €200,000 in value or, for transactions with legal entities having consolidated annual revenues in excess of €200,000,000 only, transactions less than €10,000,000 in value.

**“Significant Transactions”:** based on the definitions in Annex 3 of the Regulation, transactions where the value is in excess of 5% (2.5% for transactions with a listed parent company or its related parties) of the Company's consolidated equity or, if greater, its market capitalization, or transactions where the total assets or total liabilities of the acquired entity are in excess of 5% (2.5% for transactions with a listed parent company or its related parties) of the Company's consolidated assets.

**“Non-significant Transactions”:** transactions other than Significant Transactions and Minor Transactions.

**“Ordinary Transactions”:** transactions taking place in the ordinary course of the Company's operating activities, and any financial activity that is directly connected to those operating activities.

Operating activity is defined as activity that contributes to generation of the principal components of revenue, and all other activities which, even if not within the scope of the Company's objects, cannot be classified as “investment” or “financial” activity.

Each transaction must be appropriately classified (i.e., operating, “investment” or “financial”) on the basis of the activity carried out by the Company. The general characteristics of each transaction should also be evaluated on the basis of: principal objective, level of frequency in the context of the Company's business, size, contractual terms and conditions (including those relating to consideration), and type of counterparty.

**“Related Parties”:** an individual or entity is considered a related party of a company where that party:

- (a) directly or indirectly, including through subsidiary entities, trustees or intermediaries:
  - (i) controls, is controlled by, or is under common control with the company;
  - (ii) holds an interest in the company that gives it significant influence over the company; or
  - (iii) has joint control over the company;
- (b) is an associate of the company;
- (c) is a joint venture in which the company holds an interest;

- (d) is an executive with strategic responsibilities of either the company or its parent;
  - (e) is a close member of the family of any individual specified in letter (a) or (d);
  - (f) is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power (i.e., not less than 20%) in such entity resides, directly or indirectly, with any individual specified in letter (d) or (e);
  - (g) is a supplementary, collective or individual post-employment benefit plan, in Italy or abroad, for the benefit of employees of the company or any other related party;
- as defined in Annex 1.1 of the Regulation, which reflects the concept contained in IAS 24.

Evaluation of each related-party transaction must give careful consideration to the substance of the transaction, rather than merely its legal form.

## **2. TYPES OF RELATED-PARTY TRANSACTIONS AND METHOD OF EXECUTION**

The Procedures for Transactions with Related Parties contained in this document, which also constitute the direction given by Fiat to its subsidiaries pursuant to Article 114 (2) of Legislative Decree 58/98, are to be implemented and disseminated to Group companies by the managers responsible for preparing the Company's financial reporting, who must also ensure coordination with the administrative and accounting procedures required under Article 154-*bis* of Legislative Decree 58/98.

To this end, each member of the Boards of Directors and Statutory Auditors must inform the managers responsible if they, or parties related to them, intend to engage, either directly or indirectly, in a non-minor transaction of any nature with a Group company.

At least every three years, the managers responsible for preparing the Company's financial reporting must evaluate whether a revision of the Procedures is necessary, taking into account, among other things, any changes in ownership of the Company and the demonstrated effectiveness of the Procedures in practice. The managers responsible may also consult with the Internal Control Committee.

### **2.1. Significant Transactions**

Significant Transactions are subject to the approval of the Board of Directors, subsequent to a favorable binding opinion being received from the Committee.

The opinion is to be expressed in relation to the substantial and procedural fairness of the transaction, as well as the reasonableness of the financial terms.

Alternatively, transactions can be approved directly by the Board of Directors, with a vote in favor from a majority of the non-related, independent directors who have received complete and timely information.

If a transaction requires the approval of shareholders, the Company may exercise its right under Article 11 (2) of the Regulation. In such an event, the transaction may be carried out only if the majority of non-related voting shareholders vote in favor of the transaction.

During the evaluation and negotiating phase, the Committee or one or more members delegated by the Committee are to receive complete and timely information, and shall have the authority to request information and communicate its views to the delegated bodies or the individuals responsible for conducting the evaluations or negotiations.

The Board of Directors and the Committee must receive timely and adequate information on: the nature of any relationship, operational aspects of the transaction, the timing and financial terms of the transaction, evaluation method used, the underlying objectives and motivations, and any risks for the Group.

The Company's interest in carrying out the transaction, in addition to the financial reasonableness and substantial fairness of the terms and conditions, are to be adequately documented in the minutes for the meeting in which the transaction is approved.

The Committee shall provide the Boards of Directors and Statutory Auditors, at least quarterly, a full report on the status of any Significant Transactions.

### **2.2. Non-significant Transactions**

A prior opinion is to be given by the Committee. The opinion is not binding.

An opinion must be expressed in relation to the financial reasonableness and substantial fairness of the transaction terms and the basis for that opinion adequately recorded in the minutes for the meeting in which the transaction is approved, where they exist.

In the event of a negative opinion being expressed by the Committee, the relevant entity may, nevertheless, still proceed with the transaction, with the appropriate public disclosure being made pursuant to Article 7 (g) of the Regulation.

For Non-significant Transactions, the reporting requirements set out in Section 2.1 shall also apply.

### **2.3. Intragroup transactions**

The Procedures shall not apply to transactions with or between subsidiaries or with associates, except where other related parties of the Company are determined to have a significant interest in subsidiaries or associates party to the transaction.

### **2.4. Other transactions involving subsidiaries**

Any other non-exempt transaction between a subsidiary and a related party of the Company is to be deemed as a transaction between the Company and that related party, where and in so far as it may be considered a transaction carried out by the Company through that subsidiary, as provided under the Regulation.

### **2.5. Transactions involving intangible assets**

For transactions with related parties of the Company involving the Fiat brand or other asset of equivalent importance for the Group, the procedures described in Sections 2.1 or 2.2 above shall apply, based on the transaction value, as well as the provisions of Section 2.3, based on the counterparties to the transaction. The Board of Directors shall, in any event, have the power to apply additional cautionary measures.

In its evaluation, the Board of Directors is to take the potential impact of the transaction on the Company's operating autonomy into consideration.

### **2.6. Standing approvals**

Standing approvals may be adopted for similar transactions which are sufficiently explicit by type of transaction and related party and are carried out on a repeat basis.

For each standing approval – whose duration may not be longer than a year – the Board of Directors shall indicate the expected maximum value of transactions to take place under the approval, on a cumulative basis, in addition to the basis upon which the terms and conditions were established.

For standing approvals, the procedures set out in Section 2.1 or 2.2 shall be applied on the basis of the expected maximum value of those transactions on a cumulative basis.

For individual transactions carried out under the standing approval, the procedures set out in Sections 2.1. and 2.2 shall not apply.

For the purposes of Section 3.1.1, transactions carried out under a standing approval shall not be considered in calculation of the cumulative amount.

The Committee shall provide the Boards of Directors and Statutory Auditors, at least quarterly, a full report on the status of any standing approvals.

## 2.7. Exemptions

The Procedures described above shall not apply to the following:

- transactions taking place in the ordinary course of business and entered into at standard or market terms;
- transactions with or between subsidiaries, and/or jointly-controlled entities, and transactions with associates, except where other related parties of the Company have a significant interest in that subsidiary or associate;
- transactions of minor value;
- compensation plans based on financial instruments that have been approved by shareholders pursuant to Article 114-*bis* of Legislative Decree 58/98 and transactions related to implementation of those plans;
- shareholder resolutions relating to fees for members of the Boards of Directors or Statutory Auditors, and resolutions relating to compensation for directors with specific responsibilities where the total amount is set by shareholders;
- resolutions relating to fees for directors with specific responsibilities, where a total amount has not been set by shareholders pursuant to Article 2389 (3) of the Civil Code, and to other executives with strategic responsibilities, provided that the Company has adopted a remuneration policy in accordance with the Regulation.

## 3. REPORTING REQUIREMENTS

### 3.1. Public disclosure requirements

#### 3.1.1. Ongoing disclosure

For **Significant Transactions**, including those to be undertaken by Italian or foreign subsidiaries<sup>1</sup>, the Company is to prepare an information document conforming to the requirements of Annex 4 of the Regulation. This obligation also exists when, within the same financial year, the Company enters into multiple transactions that are similar in nature or form part of a single strategy with the same related party or with other individuals or entities that are related both to that party and to the Company which, considered collectively, exceed the significance threshold established under Annex 3 of the Regulation (“Cumulation”).

The information document is to be made available to the public and to Consob, by the deadline and in the manner established in the Regulation, together with the report of independent directors, as applicable, and, with regard to those elements deemed essential under Annex 4 of the Regulation, reports of independent experts.

Where such transactions are carried out by a subsidiary company, that subsidiary shall be required to provide the Company, in a timely manner, with the information necessary to prepare the above document.

No information document is required for transactions that qualify for exemption under these Procedures (considered individually or collectively), nevertheless the obligation of transparency to Consob for **transactions taking place in the ordinary course of business and entered into at standard or market terms** remains.

For transactions with related parties that are subject to the reporting requirements established under Article 114 (1) of Legislative Decree 58/98, the public information disclosure is to include any additional information required by the Regulation.

#### 3.1.2. Periodic disclosure

In its annual and interim reports, the Company provides information on significant individual transactions, and any other individual transactions completed during the relevant period, which had a significant impact on the Company's operating results and/or financial position. It also provides information on changes or developments for transactions described in the previous annual report which had a significant impact on the Company's operating results and/or financial position for the relevant period.

<sup>1</sup> Refers to the definition of control pursuant to Article 2359 of the Civil Code.

The Company must indicate which of those transactions were exempt from the Procedures because they took place in the ordinary course of business and were entered into at standard or market terms.

The above information is not required for the following:

- shareholder resolutions relating to fees for members of the Boards of Directors or Statutory Auditors, and resolutions relating to compensation for directors with specific responsibilities where the total amount has already been set by shareholders;
- transactions of minor value.

### **3.2. Internal information flows**

The Committee, as well as the Boards of Directors and Statutory Auditors, are to receive information and documentation on proposed transactions adequately in advance of any resolution being taken, and they are to be kept regularly informed during and after execution of the transaction.

Controlling entities, members of the Boards of Directors and Statutory Auditors, and managers of the Company, as well as any individuals or entities holding a significant interest as defined under Article 120 of Legislative Decree 58/98 or participating in shareholder agreements as defined under Article 122 of Legislative Decree 58/98 – who are related parties of the Company – shall provide the Company with the information necessary to identify related parties and transactions involving those parties.

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