



PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

Approved during the Board of Directors' Meeting on 12 November 2010

INDEX

1. Introduction	1
2. Definitions	1
3. Field of Application.....	6
4. Rules relating to Related Party Transactions	9
4.1 Transactions of Lesser Significance.....	9
4.2 Transactions of Greater Significance.....	11
4.3 Transactions which are the responsibility of the Assembly:.....	12
4.4 Master resolutions	13
5. Related Party Transactions carried out by the Company through its controlled companies.....	14
6. Identifying Related Parties.....	14
7. Maintaining the list of Related Parties.....	14
8. Communications to the Company	15
9. General Provisions.....	15

1. INTRODUCTION

This procedure (the “**Procedure**”) governs transactions with related parties performed by Carraro S.p.A. (“**Carraro**” or the “**Company**”) directly and/or through its subsidiaries, in accordance with the provisions found in the Regulations passed by Consob (Italian National Commission for Companies and the Stock Market) with resolution No. 17221 dated 12 March 2010 (the “**Regulations**”).

This Procedure will come into effect on 1 January 2011 and replaces the previous regulations regarding transactions with related parties, as approved by the Company’s Board of Directors on 11 May 2006.

2. DEFINITIONS

- 2.1 In addition to the definitions contained in other articles, the terms and expressions starting with a capital letter used in this Procedure have the meanings as indicated below and it should be stated that the same meaning refers both to singular and plural uses.

Independent Directors: directors recognised as “independent” by the Company in compliance with the Corporate Governance Code for Companies Listed on the Italian Stock Exchange (the “**Corporate Governance Code**”).

Non Related Directors: directors who are other than the counterparty in a specific transaction or other than its Related Parties.

Non Executive Directors: directors recognised as “non-executive” by the Company according to the Corporate Governance Code.

Internal Auditing Committee: Carraro’s Internal Auditing Committee, consisting of members of Carraro’s Board of Directors; has consultative and propositional functions in relation to the Company’s Board of Directors concerning issues indicated in the Committee’s operational guidelines.

Human Resources and Remuneration Committee: the Human Resources and Remuneration Committee, consisting of members of Carraro’s Board of Directors; has consultative and propositional functions in relation to the Company’s Board of Directors and has been delegated responsibility for certain functions as laid down in the Corporate Governance Code concerning the remuneration of Directors and Senior Managers with Strategic Responsibilities, as well as other tasks relating to the assessment and formulation of recommendations regarding company organisation and plans for developing management and human resources in general. This Human Resources and Remuneration Committee may be composed of Independent Directors and executive directors, who are obliged to abstain, should the Committee be called upon to perform the duties it is assigned by the Corporate Governance Code.

Conditions that are Equivalent to Market or Standard Conditions: conditions: *(a)* similar to those usually applied to non-related parties for transactions of a corresponding nature, size and risk; or *(b)* based on regulated tariffs or fixed prices; or *(c)* corresponding to those applied to entities with which the company is obliged under law to contract a specific price.

Controlling/Control: the power to govern the financial and operating policies of an entity so as to gain benefits from its activities. Control presumably exists when a body either directly or indirectly through its owned Controlled Companies possesses more than half the voting rights within an entity, unless it can be clearly demonstrated, in exceptional cases, that such possession does not actually represent Control. Control also exists when a party owns half the voting rights within the Shareholders' Meetings or a smaller share, if such a party has:

- (a) control over half the voting rights in compliance with an agreement with other investors;
- (b) the power to govern the financial and operating policies of an entity by statute or agreement.
- (c) the power to appoint or remove the majority of the members of the Board of Directors or its equivalent administrative organ, and control over the entity is held by that board or organ;
- (d) the power to exercise majority voting rights at meetings of the Board of Directors or of its equivalent administrative organ, and control over the entity is held by that board or organ;

Joint Control: the contractually agreed sharing of Control over an economic activity.

Senior Managers with Strategic Responsibilities: persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the directors (whether executive or otherwise) and the statutory auditors of that Company.

Significant Influence: the power to participate in governing the financial and operating policies of an entity but without having Control over them. Significant influence may be gained by share ownership, statutory clauses or agreements. If a body directly or indirectly (for example through its Controlled Companies) possesses 20% or more of the voting rights that can be exercised in the Shareholders' Meetings of the associated company, it is presumed to have Significant Influence, unless the opposite can be clearly demonstrated. On the contrary, if the body directly or indirectly (for example through its Controlled Companies) possesses less than 20% of the voting rights that can be exercised in the Shareholders' Meetings of the associated company, it is presumed that the shareholder does not have Significant Influence, unless such influence can be

clearly demonstrated. The existence of a body possessing the absolute or relative majority of the voting rights does not necessarily preclude another body having Significant Influence. The existence of Significant Influence is usually indicated by the fulfilment of one or more of the following circumstances:

- (a) representation on the Board of Directors of the associated company or in its equivalent organ;
- (b) participation in the decision process, including the participation in decisions regarding dividends or other kinds of profit distribution;
- (c) the existence of important transactions between the shareholder and the associated company;
- (d) exchanging of senior management personnel;
- (e) the provision of essential technical information.

Significant Interest: when referring to a company, this means, by way of an example but not limited to:

- (i) the possession by the party controlling Carraro of a direct and/or indirect shareholding in the Controlled or Associated Company with an “effective weight” which is greater than the “effective weight” of the shareholding in Carraro held by the same body controlling Carraro;
- (ii) except for the case as indicated in point (i) above, the possession of a direct and/or indirect shareholding of above 10% and less than 20% of the share capital in the Controlled or Associated Company;
- (iii) the sharing, between the Company and the Controlled or Associated Company (with which the transaction is performed) of one or more Senior Managers with Strategic Responsibilities who benefit from incentive plans based on financial instruments (or other variable remuneration) which depend, directly and significantly on the results achieved by the Controlled or Associated Companies with which the transaction is performed.

Joint Venture: a contractual agreement with which two or more parties undertake an economic activity which is subject to Joint Control.

Related Party Transaction: any transfer of resources, services or obligations between Related Parties, regardless of whether a price is charged. The following, however, are included: **(a)** transactions involving mergers, splits through incorporation or splits in the strict, non-proportional sense, when performed with Related Parties; **(b)** any decision relating to the assignment of remuneration and economic benefits, under any form, to members of the administrative and control organs and to Senior Managers with Strategic Responsibilities.

Transactions of Limited Value: this indicates Related Party Transactions where

the expected maximum price or expected maximum value of services charged to the Company does not exceed for any one transaction:

- (a) Euro 150,000 (one hundred and fifty thousand), in a year, with reference to the assignment and increase of remuneration and economic benefits, under any form, to a member of an administrative or control organ or to a Senior Manager with Strategic Responsibilities;
- (b) in general, Euro 500,000 (five hundred thousand) for any single Related Party Transaction of a different nature, or for Related Party Transactions entered into with the same Related Party, which are similar to each other or performed in the fulfilment of a unitary plan.

Transactions of Greater Significance: this indicates transactions where at least one of the following measurement indices (which are applicable in accordance with the specific transaction), is above the threshold of 5%:

- (a) countervalue measurement index: it is the ratio between the countervalue of the transaction and the shareholders' equity indicated in the company's most recently published balance sheet (or consolidated balance sheet, if prepared) or, for listed companies (if greater) the capitalization of the company at the market close on the last day of the reference period for the most recently published periodical accounts report (yearly or half-yearly financial report or interim financial report). If the economic conditions of the transaction are fixed, the countervalue of the transaction is:
 - (i) for items in cash, the amount paid to/by the counterparty in the contract;
 - (ii) for items consisting of financial instruments, the fair value as determined on the date of the transaction in compliance with the IFRS as adopted with EC Regulations No.1606/2002;
 - (iii) for loan transactions or those providing guarantees, the highest payable sum.

If the economic conditions of the operation partially or totally depend on quantities not yet known, the countervalue of the transaction is the maximum receivable or payable value as per the agreement.

- (b) asset measurement index: it is the ratio between the total asset value of the transaction item and the total assets of the company. The data to be used must be taken from the company's most recently published balance sheet (or consolidated balance sheet, if prepared); where possible, similar data must be used to determine the total asset value of the transaction item. For transactions involving the sale or purchase of shareholdings in companies that have effects on the area of consolidation, the value of the numerator is the total assets of the associated company, regardless of the percentage of the share capital for sale/purchase. For transactions involving the sale or

purchase of shareholdings in companies that do not have effects on the area of consolidation, the value of the numerator is:

- (i) for purchases, the countervalue of the transaction increased by the liabilities of the company that may have been assumed by the purchaser;
- (ii) for sales, the price of the business being sold.

For transactions involving the sale or purchase of other assets (other than the purchase of shareholdings), the value of the numerator is:

- (i) for purchases, the greater value between the price and the book value attributed to the asset;
 - (ii) for sales, the book value of the asset;
- (c) liability measurement index: it is the ratio between the total value of the liabilities of the purchased entity and the total assets of the company. The data to be used must be taken from the company's most recently published balance sheet (or consolidated balance sheet, if prepared); where possible, similar data must be used to determine the total value of the liabilities of the company or of the acquired business unit.

Transactions of Lesser Significance: Related Party Transactions that are different from Transactions of Greater Significance and Transactions of Limited Value.

Intragroup Transactions: Transactions with or between Controlled Companies, including joint transactions, as well as with Associated Companies.

Ordinary Transactions: Related Party Transactions, including those representing Transactions of Greater Significance, which: **(a)** come within the company's ordinary business activities or within its connected financial activities; and **(b)** are entered into with Conditions that are Equivalent to Market or Standard Conditions.

Related Party: a party which:

- (a) directly, or indirectly, also through Controlled Companies, fiduciaries or intermediaries:
 - (i) Controls, is Controlled by or is under common Control of the Company;
 - (ii) has a shareholding in the Company that gives it Significant Influence over the latter;
 - (iii) has Joint Control over the Company;
- (b) is an Associated Company of the Company;

- (c) is a Joint Venture in which the Company is a participant;
- (d) is one of the Company's or the Parent Company's Senior Managers with Strategic Responsibilities;
- (e) is a Close Family Member of any of the parties referred to in (a) or (d)
- (f) is an entity in which one of the parties referred to in letters (d) or (e) exercises Control, Joint Control or Significant Influence or directly or indirectly holds a significant share of the voting rights, which is not below 20%.
- (g) is a collective or individual, supplementary pension plan, of Italian or foreign origin, created in favour of the employees of the Company or of any other related entity.

Regulations for Issuers: regulations adopted by Consob with resolution no. 11971 dated 14 May 1999 and its subsequent amendments and additions.

Non Related Shareholders: parties with the right to vote, who are different from the counterparty in a determined transaction and from the related parties to the counterparty in a determined transaction and to the Company.

Associated Company: any entity, including those without legal status, as with a non-stock corporation, in which a shareholder exercises Significant Influence but not the Control or Joint Control.

Controlled Company: any entity, including those without legal status, as with a non-stock corporation, which is subject to the Control of another entity.

Close Family Member: any family member who may be expected to influence, or be influenced by the party involved in dealings with the company. They may include: **(a)** the spouse (if not legally separated) and the co-habitee; **(b)** children and dependants of the individual, of his/her spouse (if not legally separated) or of the co-habitee.

Consolidated Finance Law: Italian Legislative Decree No. 58 dated 24 February 1998

- 2.2 The definitions of Related Party and Related Party Transaction and the other definitions referred to above are made by referring to the body of International Accounting Standards that were adopted in line with the procedure referred to in article 6 of the (EC) Regulations No. 1606/2002 that were effective on the date that the Regulations and this Procedure came into effect.

3. FIELD OF APPLICATION

- 3.1 Except for the contrary provisions referred to in this article 3 and in the Regulations, the provisions of the Regulations and this Procedure apply to all

Related Party Transactions.

- 3.2 The provisions of the Regulations and the Procedure do not apply to:
- (a) shareholder meeting resolutions as referred to in article 2389 (1) of the Italian Civil Code relating to remuneration of the members of the Board of Directors and the Executive Committee, nor to resolutions relating to remuneration of directors assigned specific tasks, provided that the total comes within the overall amount that was passed by a shareholders' meeting resolution beforehand pursuant to article 2389 (3) of the Italian Civil Code.
 - (b) shareholder meeting resolutions as referred to in article 2402 of the Italian Civil Code relating to remuneration of the members of the Board of Statutory Auditors.
- 3.3 The provisions of the Regulations and the Procedure do not apply to Transactions of Limited Value.
- 3.4 Without prejudice to the obligations of periodic information referred to in article 5 (8) of the Regulations and article 3.5 below, the provisions of the Regulations and this Procedure do not apply to:
- (a) remuneration plans based on financial instruments as approved by the Assembly under article 114-*bis* of the Consolidated Finance Law and the related executive transactions;
 - (b) resolutions of the Board of Directors (that are different from the resolutions passed under article 2389 (3) of the Italian Civil Code) relating to remuneration of directors assigned special tasks as well as of Senior Managers with Strategic Responsibilities, provided that:
 - (i) the Company has adopted a remuneration policy;
 - (ii) a committee, consisting exclusively of Non Executive Directors with a majority of Independent Directors, was involved in defining the remuneration policy;
 - (iii) a report outlining the remuneration policy was submitted to the shareholders' meeting for a consultative vote;
 - (iv) the assigned remuneration is consistent with such a policy;
 - (c) Ordinary Transactions;
 - (d) Intragroup Transactions, provided that there is no Significant Interest of other Related Parties of the Company within the Controlled Companies or Associated Companies that are the counterparties in the transaction.
- 3.5 If an Operation of Greater Significance represents an Ordinary Transaction under

the terms of this Procedure, the Company:

- (a) will inform Consob of the counterparty, the object and the price of the transactions that have benefited from the exclusion, within the deadline indicated in article 5 (3) of the Regulations;
- (b) will indicate in the interim management report and the annual management report (within the scope of the information provided for under article 5 (8) of the Regulations) which transactions subject to disclosure under the latter provisions were entered into and benefited from the exclusion provided for in this article;

3.6 Without prejudice to the provisions of article 5 of the Regulations and when the Company's Articles of Association expressly allow it, the provisions of the Regulations and this Procedure do not apply to Related Party Transactions that are not the responsibility of the Shareholders' Meeting and do not need to be authorised by it, and are approved in cases of urgency, provided that:

- (a) if the Related Party Transaction to be performed falls within the responsibilities of a managing director or of the executive committee (if constituted), and the chairman of the board of directors has been informed of the reasons for urgency before the Related Party Transaction takes place;
- (b) without prejudice to its effectiveness, the Related Party Transaction is subsequently the subject of a non-binding resolution at the first available ordinary shareholders' meeting
- (c) the board of directors prepares a report for the shareholders' meeting that adequately explains the grounds governing the reasons for urgency;
- (d) the board of statutory auditors informs the shareholders' meeting of its own assessment regarding the existence of reasons of urgency;
- (e) the report and the assessment referred to in points (c) and (d) above are made available to the public by way of the company's registered offices at least twenty-one days before the date fixed for the shareholders' meeting , and in accordance with the procedures indicated in Part II, Paragraph 1 of the Regulations for Issuers;
- (f) by the end of the day following the shareholders' meeting, the information on the results of the vote, with particular reference to the votes expressed by Non Related Shareholders, are made available to the public in accordance with the procedures indicated in Part II, Paragraph 1 of the Regulations for Issuers.

4. RULES RELATING TO RELATED PARTY TRANSACTIONS

4.4 Transactions of Lesser Significance

- (a) the board of directors or the delegated organs approve Transactions of Lesser Significance subject to receiving a reasoned and non-binding opinion on the interest the Company has in performing the transaction, as well as on the advantages and substantial correctness of the related conditions, provided by a committee within the Company's board of directors, consisting of Non Executive and Non Related Directors, the majority of whom are Independent.
- (b) The committee referred to in (a) above:
 - (i) in relation to Transactions of Lesser Significance, whose subject is the assignment or increase in remuneration and economic benefits (under any form, including the issuing of loans, funding or guarantees) to a member of an administrative or control organ or to a Senior Manager with Strategic Responsibilities, is composed of the Human Resources and Remuneration Committee (which is called upon to perform the duties assigned to it under the Corporate Governance Code) consisting exclusively of Independent Directors;
 - (ii) in relation to all other Transactions of Lesser Significance it is composed of the Internal Auditing Committee;

on the understanding that, if a member of the committee that may from time to time be involved, is the counterparty of the Transaction of Lesser Significance under evaluation or a Related Party to it, the other members of the committee will call upon another Non Related Director (who is Independent or Non Executive in accordance with the need or otherwise to restore a majority of Independent Directors) or, in the absence of one, a regular Non Related member of the board of statutory auditors (but not the Chairman) to take part in the meeting. If it is not possible to make up the composition of the committee, the opinion referred to in letter (a) above will be issued by the board of statutory auditors.

- (c) The Chairman or the delegated organs make sure that the members of the committees referred to in letter (b) above each promptly receive (according to their responsibilities) full, adequate information about the Transaction of Lesser Significance as well as objective details for comparison, when the transactions are to be performed with Conditions Equivalent to Market or Standard Conditions. If the Transaction of Lesser Significance falls within the responsibilities of the board of directors, the Chairman or the delegated organs ensure that the same information is promptly made available to the directors. The information which should be supplied must include, in particular:

- (i) the name of the Related Party which is counterparty in the Transaction of Lesser Significance;
 - (ii) indication of the nature of the related party relationship;
 - (iii) indication that it is a Transaction of Lesser Significance;
 - (iv) a description of the terms and conditions of the Transaction of Lesser Significance, of its related executive procedures and the procedures used to fix the price;
 - (v) a description of the interest the Company has in performing the Transaction of Lesser Significance.
- (d) Without prejudice to the above provisions, the Chairman or the delegated organs make sure that adequate information on the Transactions of Lesser Significance, that are the responsibility of the board of directors, are supplied to all its members in compliance with article 2381 of the Italian Civil Code, as well as to the board of statutory auditors.
- (e) The committee must make its opinion known before the Transaction of Lesser Significance is finally approved by the board of directors, if the transaction falls within the responsibilities of the latter. In other circumstances, before the Company assumes the obligation of carrying out the Transaction of Lesser Significance.
- (f) The committee has the right to seek assistance from one or more independent experts of its own choice, who will be paid for by the Company. [In such cases, the committee must limit the expenses incurred, for each individual transaction, to 2% of the countervalue of the operation].
- (g) The resolutions passed by the board of directors approving a Transaction of Lesser Significance must provide adequate grounds for it, and refer to the interest the Company has in carrying out the transaction, as well as to the advantages and substantial correctness of the related conditions.
- (h) The Chairman or the delegated organs must report to the board of directors and to the board of statutory auditors at least every quarter on the performance of Transactions of Lesser Significance.
- (i) Without prejudice to the obligations of disclosure as provided for in article 114 (1) of the Consolidated Finance Law, within fifteen days of the closure of each quarter, the Company must make available to the public by way of its registered offices and according to the procedures indicated in Part II, Paragraph 1 of the Regulations for Issuers (as well as on its website) a document containing information about the counterparty, the object and the price of the Transactions of Lesser Significance approved during the reference quarterly period against the negative opinion of the committee, together with the reasons why it was deemed unnecessary to share the

negative opinion. The negative opinions of the committee are attached to the document.

4.5 Transactions of Greater Significance

- (a) The board of directors has exclusive responsibility for the approval of Transactions of Greater Significance
- (b) The Chairman and the delegated organs make sure that a committee consisting of at least three Independent and Non Related Directors, or one or more of its members delegated for this purpose by the said committee:
 - (i) is involved in the negotiation and procedural phases, by receiving full and adequate information on the Transaction of Greater Significance in compliance with the provisions of article 4.1 (c) above.
 - (ii) may ask for information and make comments to the delegated organs and the parties in charge of the negotiations and procedures.
- (c) The committee referred to in (b) above:
 - (i) in relation to Transactions of Greater Significance, whose subject is the assignment or increase in remuneration and economic benefits (under any form, including the issuing of loans, funding or guarantees) to a member of an administrative or control organ or to a Senior Manager with Strategic Responsibilities, is composed of the Human Resources and Remuneration Committee (which is called upon to perform the duties assigned to it under the Corporate Governance Code) consisting exclusively of Independent Directors;
 - (ii) in relation to all other Transactions of Greater Significance it is composed of the Internal Auditing Committee;

on the understanding that, if a member of the committee that may from time to time be involved (1) is the counterparty of the Transaction of Greater Significance under evaluation or a Related Party to it, or (2) is not an Independent Director the other members of the committee will call upon another Independent Non Related Director or, in the absence of one, a regular Non Related member of the board of statutory auditors (but not the Chairman) to take part in the meeting. If it is not possible to make up the composition of the committee, the activities referred to in letter (b) above will be carried out and the opinion referred to in point (d) (i) below will be issued by the board of statutory auditors.

The preceding articles 4.1(c), 4.1(e) (first part) and 4.1(f) (first part) are, *mutatis mutandis*, applied to the committee.

- (d) The board of directors passes a resolution on the Transactions of Greater Significance:

- (i) subject to receiving a favourable opinion from the committee referred to in point (b) (which will decide with an absolute majority vote of its members) on the interest the Company has in carrying out the transaction, as well as on the advantages and substantial correctness of the related conditions; or in the absence of the prior opinion of the committee referred to in point (b) above
 - (ii) with a vote in favour by the majority of Independent Directors (without prejudice, however, to the majorities required for the assumption of board resolutions under the law and the Articles of Association).
- (e) The Chairman or the delegated organs must report to the board of directors and to the board of statutory auditors at least every quarter on the performance of Transactions of Greater Significance.
 - (f) The Chairman or the delegated organs make sure that adequate information on the Transactions of Greater Significance are supplied to all the members of the board of directors in compliance with article 2381 of the Italian Civil Code, as well as to the board of statutory auditors.
 - (g) The resolutions passed by the board of directors approving a Transaction of Greater Significance must provide adequate grounds for it, and refer to the interest the Company has in carrying out the transaction, as well as to the advantages and substantial correctness of the related conditions.

4.6 Transactions which are the responsibility of the Assembly:

- (a) When a Transaction of Lesser Significance or a Transaction of Greater Significance are the responsibility of the Assembly, or need to be authorised by it, the provisions of articles 4.1. and 4.2 are applied with reference to the approval (by the board of directors) of the resolution proposal to be submitted to the Assembly.
- (b) When expressly allowed by the Company's Articles of Association, in cases of urgency related to company crises, Related Party Transactions that are the responsibility of the Assembly or need to be authorised by it, may be concluded by waiving the provisions in point (a) above, provided that:
 - (i) the board of directors prepares a report that adequately explains the grounds governing the reasons for urgency;
 - (ii) the board of statutory auditors informs the shareholders' meeting of its own assessment regarding the existence of reasons of urgency;
 - (iii) the report and the assessment referred to in points (a) and (ii) above are made available to the public by way of the company's registered offices at least twenty-one days before the date fixed for the shareholders' meeting , and in accordance with the procedures

indicated in Part II, Paragraph 1 of the Regulations for Issuers.

If the assessment made by the board of statutory auditors is negative, the administrative organ cannot conclude the transaction if the Non Related Shareholders taking part in the shareholders' meeting at the time of the vote represent more than 10% of the share capital with voting rights and the majority of voting Non Related Shareholders vote against the board of directors' proposal. On the contrary, by the end of the day following the shareholders' meeting, the Company shall disclose to the public the information on the results of the shareholders' meeting vote (with particular reference to the number of votes expressed by Non Related Shareholders) in accordance with the procedures indicated in Part II, Paragraph 1 of the Regulations for Issuers.

4.7 Master resolutions

- (a) The board of directors may approve in a single resolution, a series of similar Related Party Transactions relating to the same Related Parties or with certain categories of Related Parties.
- (b) When the conditions referred to in point (a) above apply and without prejudice to the provisions of article 3 above:
 - (i) the provisions of articles 4.1 and 4.2 above are applied to the master resolution of the board of directors on the basis of the expected maximum amount of the Related Party Transactions referred to in the master resolution, when taken together as an overall amount;
 - (ii) the provisions of articles 4.1 and 4.2 above are not applied to individual Related Party Transactions entered into in execution of a master resolution of the board of directors, provided that the resolution:
 - (1) does not have effect for more than one year;
 - (2) refers to Related Party Transactions, that are sufficiently fixed;
 - (3) indicates the expected maximum amount for the transactions which, during the period of the resolution's effect, may be fulfilled by implementing that resolution;
 - (4) contains adequate description of the conditions of the transactions.
 - (iii) the Chairman or the delegated organs inform the board of directors every quarter on the implementation of master resolutions.

5. RELATED PARTY TRANSACTIONS CARRIED OUT BY THE COMPANY THROUGH ITS CONTROLLED COMPANIES

- (a) The Procedure also applies to Related Party Transactions involving controlled companies that are examined beforehand by the board of directors or by one of the Company's Senior Managers with Strategic Responsibilities, on the understanding that the provisions of article 3 above also apply to Related Party Transactions involving controlled companies.
- (b) In order to implement the provisions of point (a) above, the controlled companies promptly inform the Manager of the Company's Legal Affairs Dept. (using procedures indicated in article 6(a) below) about the Related Party Transactions they intend to approve, sending him the information and documentation required in order to proceed with the provisions in this Procedure.

6. IDENTIFYING RELATED PARTIES

- 6.1 It is the duty of the Legal Affairs Manager to identify Related Parties on the basis of the information received in compliance with this Procedure or that has been learnt by some other means. For this purpose he sends a letter requesting information (annexed to this Procedure under Annex A) to the parent company, the directors and the Senior Managers with Strategic Responsibilities and to the other parties referred to in article 114 (5) of the Consolidated Finance Law, which are Related Parties of the Company.
- 6.2 The Legal Affairs Manager informs the Internal Auditing Committee at least quarterly regarding the results of the checks carried out. Whenever the identification of a Related Party is complex or controversial, he may ask for an opinion from the Internal Auditing Committee and also seek professional advice from one or more experts.
- 6.3 The list is reviewed whenever it seems necessary on the basis of the information received from the Company in compliance with this Procedure or that has been learnt by some other means, and nevertheless at least every quarter.

7. MAINTAINING THE LIST OF RELATED PARTIES

- 7.1 It is the duty of the Legal Affairs Manager to maintain the list of Related Parties and to update the list on the basis of the information received in compliance with this Procedure or that has been learnt by some other means.
- 7.2 The Legal Affairs Manager:
 - (a) sends the aforesaid list to the directors with specific powers, to the chairman of the board of directors, to the CFO, as well as to the Administrative Departments and managing directors of the Controlled Companies, for the application of this Procedure;

- (b) promptly sends to the parties in question information about their inclusion in the list of Related Parties and also sends them the text of this Procedure.

8. COMMUNICATIONS TO THE COMPANY

- (a) The Company's Related Parties promptly provide the Company with the information required to allow it to fulfil its obligations as stipulated by the Regulations and the Procedure by sending it to the Company's Legal Affairs Manager to the following address:

Carraro S.p.A. - Via Olmo 37, 35011 Campodarsego (PD), Italy.

- (b) The chairman or the delegated organs ensure that all Related Party Transactions that are approved in compliance with the Regulations and this Procedure are promptly notified to the senior manager in charge of preparing the company's accounting documentation so that the obligations of disclosure as referred to in article 154-*bis* of the Consolidated Finance Law can be fulfilled.

9. GENERAL PROVISIONS

- 9.1 The provisions of article 2391 of the Italian Civil Code remain firm. Therefore, the directors of the Company who may have even a potential or indirect interest in a Related Party Transaction are obliged to inform the board of directors about it promptly, giving precise information about the nature, terms, origin and extent of the interest. When the Related Party Transaction falls within the responsibilities of a director of the Company with specific powers and this person has an interest in the transaction, they must refrain from carrying out the transaction and pass it to the board of directors of Carraro.
- 9.2 If there are any amendments to the provisions of the Consolidated Finance Law and/or Regulations, the references to the articles of those documents contained within this Procedure must be considered to refer to the articles of the Consolidated Finance Law and/or the Regulations as modified, provided the content of the articles is the same.

ANNEX A

[Carraro headed notepaper]

Campodarsego, _____ 2010

[Addressee: controlling entity under art.120 of the Cons. Fin. Law]

Subject: Regulations containing the “Provisions regarding related party transactions” as adopted by Consob with resolution no. 17221 dated 12 March 2010.

Request for information pursuant to article 4 (8)

Dear Sir/Madam,

As you know, Consob recently issued the above-mentioned regulations (the “**Regulations**”) which govern the standards to which our company must adhere in order to ensure the transparency and substantial and procedural correctness of related party transactions performed directly or through its controlled companies.

Art 4 (8) of the Regulations stipulates that *“controlling entities and other parties indicated in art. 114 (5) of Italy's Consolidated Finance Law, that are related parties of the companies must provide the latter with the necessary information so as to allow them to identify related parties and the transactions performed with them.”*

In compliance with this provision, in your capacity as controlling party, as indicated in the communications sent by you in accordance with article 120 of the Consolidated Finance Law, we would ask you to provide us with the information we need to allow us to identify:

- (a) any parties that directly and/or indirectly control your company;
- (b) any senior managers with strategic responsibilities in your company and, where appropriate, in any of the parties referred to in “a”.
- (c) the close family members of each of the parties referred to in “b” and, where appropriate, of the parties referred to in “a”;
- (d) the entities where:

- a. you and, where appropriate, the parties referred to in “b”, directly or indirectly exercise control;
- b. each of the parties referred to in “b” and “c” directly or indirectly exercises control, joint control or significant influence or directly or indirectly holds a significant share of the voting rights, which is not below 20%;
- (e) each supplementary pension plan constituted in favour of any employee you might have or of any employee of the parties referred to in “b”, “c” and “d”;
- (f) any Significant Interest held by the parties referred to in “b”, “c”, “d” and “e”.

So as to allow you to correctly identify the above-mentioned parties, we have attached the procedure referring to related party transactions adopted by the Company’s Board of Directors on _____, as well as the related definitions included in Annex 1 to the Regulations.

We would ask you to return the aforesaid information to the address below within 10 days of receiving this letter and send it beforehand via fax or email:

Carraro S.p.A.

Attn. the Legal Affairs Manager

e mail: (specific address)

fax: [_____]

Via Olmo n. 37

[_____] CAMPODARSEGO (PD), ITALY

We would also ask you to inform us promptly of any changes to the aforesaid information.

We should inform you that the supply of personal details as requested in this document is compulsory and that the details may be handled without the need to obtain consent from the persons concerned in line with the provisions of article 24 (1) a) of Italian Legislative Decree No. 196/2003, since the provisions of the Regulations impose such action.

The details themselves will be handled using manual or automated means intended to guarantee their safety and confidentiality, in compliance with Legislative Decree No. 196/2003. This will be done by Carraro personnel and the information will only be passed on and/or made known in the circumstances referred to in the

Regulations and for the purposes indicated therein.

The details you provide will in any case only be kept for the time that is strictly necessary for the fulfilment of the obligations outlined in the Regulations and will be destroyed after that.

The ownership of the data lies with Carraro S.p.A., whose registered offices are in Campodarsego (PD), via Olmo n. 37. The person in charge of it is [_____], who is domiciled in his/her capacity at the Offices in [_____].

Lastly we should inform you that, in relation to the aforesaid data handling and within the limits of the provisions of article 8 of Legislative Decree No. 196/2003, you may exercise the rights referred to in article 7 of Legislative Decree No. 196/2003, relating to knowledge about the data and requests for it to be updated, corrected, supplemented or cancelled. You may also challenge the handling of the data in those circumstances indicated in the Code. Such rights may be exercised by contacting the above-mentioned person.

We thank you for your cooperation and are at your disposal should you require any further information.

Yours sincerely

[_____]

Encl.:

- Procedure
- Annex 1 of the Regulations

[Carraro headed notepaper]

Campodarsego, _____ 2010

[Addressees: (1) members of administrative organs (2) regular members of the board of statutory auditors (3) Senior Managers with Strategic Responsibilities as defined under the Procedure]

Subject: Regulations containing the “Provisions regarding related party transactions” as adopted by Consob with resolution no. 17221 dated 12 March 2010.

Request for information pursuant to article 4 (8)

Dear Sir/Madam,

As you know, Consob recently issued the above-mentioned regulations (the “**Regulations**”) which govern the standards to which our company must adhere in order to ensure the transparency and substantial and procedural correctness of related party transactions performed directly or through its controlled companies.

Art 4 (8) of the Regulations stipulates that “*controlling entities and other parties indicated in art. 114 (5) of the Consolidated Finance Law, that are related parties of the companies must provide the latter with the necessary information so as to allow them to identify related parties and the transactions performed with them.*”

In compliance with this provision, in your capacity as [member of the Board of Directors or of the Board of Statutory Auditors or as a Senior Manager with Strategic Responsibilities], we would ask you to provide us with the information we need to allow us to identify:

- (a) close family members;
- (b) each of the parties in which you or any of your close family members directly or indirectly exercises control, joint control or significant influence or directly or indirectly holds a significant share of the voting rights, which is not below 20%;

- (c) each supplementary pension plan constituted in favour of any employee you might have or of any employee of the parties referred to in “a” and “b”;
- (d) any Significant Interest held by the parties referred to in “a”, “b” and “c”.

So as to allow you to correctly identify the above-mentioned parties, we have attached the procedure referring to related party transactions adopted by the Company’s Board of Directors on _____, as well as the related definitions included in Annex 1 to the Regulations.

We would ask you to return the aforesaid information to the address below within 10 days of receiving this letter and send it beforehand via fax or email:

Carraro S.p.A.

Attn. the Legal Affairs Manager

e mail: (specific address)

fax: [_____]

Via Olmo n. 37

[_____] CAMPODARSEGO (PD), ITALY

We would also ask you to inform us promptly of any changes to the aforesaid information.

We should inform you that the supply of personal details as requested in this document is compulsory and that the details may be handled without the need to obtain consent from the persons concerned in line with the provisions of article 24 (1) a) of Italian Legislative Decree No. 196/2003, since the provisions of the Regulations impose such action.

The details themselves will be handled using manual or automated means intended to guarantee their safety and confidentiality, in compliance with Legislative Decree No. 196/2003. This will be done by Carraro personnel and the information will only be passed on and/or made known in the circumstances referred to in the Regulations and for the purposes indicated therein.

The details you provide will in any case only be kept for the time that is strictly necessary for the fulfilment of the obligations outlined in the Regulations and will be destroyed after that.

The ownership of the data lies with Carraro S.p.A., whose registered offices are in Campodarsego (PD), via Olmo n. 37. The person in charge of it is [_____], who is domiciled in his/her capacity at the Offices in [_____].

Lastly we should inform you that, in relation to the aforesaid data handling and within the limits of the provisions of article 8 of Legislative Decree No. 196/2003, you may exercise the rights referred to in article 7 of Legislative Decree No. 196/2003, relating to knowledge about the data and requests for it to be updated, corrected, supplemented or cancelled. You may also challenge the handling of the data in those circumstances indicated in the Code. Such rights may be exercised by contacting the above-mentioned person.

We thank you for your cooperation and are at your disposal should you require any further information.

Yours sincerely

[_____]

Encl.:

- Procedure
- Annex 1 of the Regulations