



Report on Corporate Governance and Ownership Structures

Pursuant to article 123-*bis* TUF

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GLOSSARY

Code/Corporate Governance Code the Corporate Governance Code for Listed Companies approved in March 2006 by the Committee for Corporate Governance and endorsed by *Borsa Italiana S.p.A.* (Italian stock exchange).

Ital. Cod. civ. / ICC: the (Italian) civil code.

Board: the Board of Directors of the Issuer.

Issuer/Carraro/Company: Carraro S.p.A.

Trading period: trading period 2010.

Consob Regulations for Issuers: the Regulations issued by Consob with resolution no. 11971 in 1999 (and its subsequent amendments) regarding issuers.

Consob Regulations on Markets: the Regulations issued by Consob with resolution no. 16191 in 2007 (and its subsequent amendments) regarding markets.

Report: the report on corporate governance and ownership structures that companies are obliged to draw up pursuant to art. 123-*bis* of the *TUF*.

Company: the issuer of the stocks and shares to which the Report refers.

TUF: Italian Legislative Decree no. 58 dated 24 February 1998 (Consolidated Finance Act).

1. Issuer Profile

Carraro S.p.A. is a leading multi-national group in power transmission systems.

The activities of the Carraro Group, coordinated by Carraro SpA with functions of strategic guidance and control, are divided up into four business areas: transmission systems, gears and components, vehicles and power electronics. This series of products offers a wide range of applications including construction equipment, agricultural tractors, cars, fork-lift trucks, light commercial vehicles, and stationary applications (such as escalators). In addition, the Group is increasingly oriented towards developments in emergent sectors linked to renewable energy sources, such as generators using wind power and solar cell systems.

Carraro has been listed on the *Telematico Azionario* market, run by Borsa Italiana S.p.A., since 27 December 1995.

Carraro's corporate structure is based on the so-called traditional model, having the following entities: shareholders, board of directors (supported by consulting committees), board of statutory auditors and auditing company (external).

The Board of Directors, in its meeting of 29 March 2007, passed a resolution adopting the new Corporate Governance Code prepared by Borsa Italiana S.p.A.'s Corporate Governance Committee in March 2006, in accordance with the terms and conditions illustrated below.

This Report has been prepared in accordance with the instructions in the Code itself and in line with the format of the II edition, issued by Borsa Italiana in February 2010.

The Corporate Governance Report may be found on the company Web site: www.carraro.com – Investor Relations – Corporate Governance. It is made available to shareholders together with the documentation provided for the Shareholders' Meeting for the approval of the financial statements, within the legal terms.

2. Information on the ownership structures as at 23/03/2010 (pursuant to art. 123-bis TUF)

a) Share capital structure (pursuant to art. 123-bis (1) (a) TUF)

Amount of company share capital subscribed and paid in, in Euro: 23,914,696.00.

The categories of shares making up the share capital are indicated in Table 1 in the Annex:

No other financial instruments providing rights to subscribe to newly issued shares have been issued. There are no share-based incentive programmes (*stock options, stock grants, etc*) that give rise to increases in the share capital, including those free of charge.

b) Restrictions to share transfers (pursuant to art. 123-bis (1) (b) TUF)

There are no restrictions to share transfers.

c) Significant holdings of share capital (pursuant to art. 123-bis (1) (c) TUF)

According to the communications made by the Company pursuant to art. 120 TUF, the shareholders, who today possess shareholdings above 2% of the share capital with the right to vote, are shown in the attached Table 1 below.

d) Shares having special entitlements (pursuant to art. 123-*bis* (1) (d) TUF)

No shares having special control rights have been issued.

e) Employee share scheme: mechanism to exercise voting rights (pursuant to art. 123-*bis* (1) (e) TUF)

There is no employee share scheme having a mechanism differing from the ordinary system.

f) Restrictions to voting rights (pursuant to art. 123-*bis* (1) (f) TUF)

There are no restrictions to voting rights, except on the treasury shares purchased by the Company.

g) Agreements between shareholders (pursuant to art. 123-*bis* (1) (g) TUF)

The company is not aware of the existence of significant shareholder pacts pursuant to article 122 TUF.

h) Change of control clauses (pursuant to art. 123-*bis* (1) (h) TUF)

For Carraro and certain of its subsidiaries, stipulating change of control clauses falls within the majority of normal contractual negotiations relating to trade agreements. Typically such trade agreements only have significant effects in the event of a competitor of the counterparty gaining control of Carraro or its subsidiaries.

The change of control could provide a cause for withdrawal as in the master agreement signed on 13 April 2010 with the major banks that finance the Carraro Group, which re-scheduled, amongst other things, the payment dates on borrowing and the existing covenants.

There are moreover change of control clauses in some financing agreements entered into by Carraro International SA or other companies in the Carraro Group.

i) Authorisation to increase the company share capital and authorisation to acquire treasury shares (pursuant to art. 123-*bis* (1) (m) TUF)

The Board has no mandate by the shareholders to increase the share capital pursuant to article 2443 of the Italian civil code nor can it issue stockholding financial instruments.

On 30 April 2010 the company Shareholders' Meeting renewed its authorisation (1), pursuant to and through the effects of articles 2357 *et seq* of the Italian civil code and art. 132 of the TUF, for the purchase of a maximum number of 2,299,490 fully paid-up ordinary shares having a nominal value of Euro 0.52 each, the equivalent of 5% of the current subscribed and paid share capital (taking into account the treasury shares already held by

Carraro and its subsidiaries), in one or more times and for a period of 18 months from the date of the resolution.

The ordinary shares shall be bought at a price per ordinary share no less than 30% lower, and no more than 20% higher than the reference price recorded in the stock exchange session on the day prior to each individual transaction. The purchases shall be made within the limits of the distributable profits and the available reserves indicated in the latest regularly approved financial statement at the time the transaction takes place.

The deeds providing the availability of the treasury shares should be made at a minimum price per ordinary share no less than 20% lower, and no more than 20% higher than the reference price recorded in the stock exchange session on the day prior to each individual transaction.

On 11 April 2011, a total of 1,374,925 treasury shares were acquired, the equivalent of 2.990% of the Company's share capital.

Bearing in mind that the current authorisation will expire on 31 October 2011, the Board passed a resolution to propose a motion to the Shareholders' Meeting, called to approve the 2010 financial statements, to renew the authorisation for the purchase and approval of treasury shares with the aim of maintaining the necessary operative flexibility over an adequate period of time. For further information one should refer to the Directors' Report on the related point on the agenda, which shall be made available on the Company's website according to the terms of law.

D) Management and co-ordination (pursuant to art. 2497 *et seq.* ICC).

Carraro is not subject to the management and co-ordination under article 2497 *et seq.* of the Italian civil code, by the parent company Finaid S.p.A.

In fact the Company has an autonomous management and control structure adopted by and relied on by all Group companies.

The controlling shareholder, Finaid S.p.A., has no bearing on Carraro operations. More specifically, the above point can be demonstrated by the following:

- Finaid is a purely financial holding;
- Finaid does not issue any instructions to Carraro;
- the Finaid Board of Directors does not approve Carraro's strategic plans or business plans nor does it "interfere" regularly in its operations; and
- there are no relationships of a commercial or financial nature between Finaid and Carraro.

The directly-controlled Italian companies have identified Carraro as the party which exercises management and co-ordination activities, fulfilling the disclosure obligations under the law.

3. Compliance (pursuant to art. 123-*bis*, (2) (a) TUF)

Carraro adopted the Code having the intention of adhering to the recommendations contained therein via the continual and progressive modification of its Corporate Governance policy.

The Corporate Governance Code adopted by Carraro SpA can be viewed on the Company's website www.carraro.com, in the section called "Investor Relations – Corporate Governance".

On 3 March 2010, Borsa Italiana S.p.A's Corporate Governance Committee approved the revised text of Article 7 in the 2006 version of the Corporate Governance Code relating to the remuneration of directors and managers with strategic responsibilities, inviting Issuers to apply the new article 7 by the end of the financial year starting in 2011 and to inform the market thereof in their report on Corporate Governance to be published during 2012.

Through its Remuneration and Human Resources Committee, the Company has launched the required checks and actions to comply with this provision and will complete this operation as soon as possible during the current financial year of 2011.

Carraro is not subject to non-Italian legal provisions that have an influence on the Company's corporate governance structure.

4. Board of Directors

4.1. Appointment and substitution (pursuant to art. 123-bis, (1) (l) TUF)

Rules are provided for the appointment and replacement of directors by article 21 of the articles of association, which may be consulted on the company's Web site (www.carraro.com – Investor Relations – Corporate Governance).

On 12 December 2010, the Board of Directors passed a resolution adopting the mandatory amendments to the articles of association under the provisions of Italian Legislative Decree No. 27 dated 27 February 2010, regarding the appointment of directors.

The company's administration is entrusted to a board consisting of between three and eleven members, including non-shareholders, nominated and elected by the Shareholders' Meeting.

The directors are appointed by the Shareholders' Meeting on the basis of lists presented by shareholders. When presenting a list, the shareholder/s must singly or jointly be the holder/s of stock representing at least 2.5% (two point five per cent) of the share capital subscribed or by a different percentage as indicated in the Consob Regulations.

Such lists should be complete with the professional résumés of the individual candidates and, as appropriate, an indication of their status as independent, and must be signed by the presenting shareholders. They must be delivered to the Company's registered offices at least 15 days prior to the first anticipated Shareholders' Meeting date.

Each list must contain and expressly indicate the candidature of at least one person who satisfies the requirements of independence as stipulated by art. 148 (3) of Italian Legislative Decree No. 58/1998, or two if the Meeting decides that the number of directors should be more than seven, pursuant to art. 147-ter (4) TUF. In addition, each list may expressly indicate, if appropriate, those directors who satisfy the requirements of independence as specified in the codes of conduct prepared by companies managing regulated markets or by trade associations.

Lists that do not gain a percentage of votes equal to at least half of that required by the articles of association for their presentation, will not be taken into consideration.

The directors are appointed in accordance with the following criteria:

- a) a number of directors equal to the total number of members of the Board, as previously established by the Shareholders' Meeting, minus one will be elected from the list obtaining the highest number of votes. The candidates will be elected according to the numerical order in the list;
- b) one director will be drawn from the top of the list that obtained the second highest number of votes.

The candidate at the top of the list gaining the majority of votes will be given the post of the Chairman of the Board of Directors.

In the event of the termination of office, for whatever reason, of one or more directors, their replacement shall be made by the Board of Directors, by resolution approved by the Board of Statutory Auditors. The replacement director/s shall be selected from among the candidates indicated in the same list from which the director/s leaving office was/were appointed, provided that the resulting majority continues to consist of directors appointed by the Meeting. In the event that the director leaving office is independent, another independent director should be appointed. The directors thus appointed remain in office until the subsequent Shareholders' Meeting, which will be required to re-appoint them or extend or reduce the Board via the appointment of more directors, or the reduction in the number of directors. Any directors appointed by the Meeting in this way, remain in office until the term of those in office at the time of their appointment comes to an end.

If there is no longer a majority of directors appointed by the Shareholders' Meeting, the entire Board shall cease to remain in force. The directors remaining in office must urgently convene a meeting of the shareholders for the appointment of the new Board.

The articles of association can be amended (i) by a resolution passed by an Extraordinary General Meeting, pursuant to art. 18 of the articles of association or (ii) by a resolution passed by the Board of Directors, according to legal restrictions, when the articles of association need to be brought into line with legislative provisions.

4.2. Composition (pursuant to art. 123-bis, (2) (d) TUF)

The Board of Directors in office as at the date of preparing this report consists of 10 members appointed by the Shareholders' Meeting on 23 April 2009, on the basis of the sole list presented by the shareholder Finaid S.p.A. and will remain in office until the date of the Shareholders' Meeting convened for the approval of the financial statements for the 2011 period.

It should be remembered that following the resignation presented by Carlo Borsari with effect from 31 July 2009, the Shareholders' Meeting held on 23 December 2009 passed a resolution deciding not to confirm the number of members in the Board of Directors by appointing a replacement and therefore to reduce their number from 11 to 10.

There have been no changes to the composition of the Board since the closure of the 2010 period.

The personal and professional characteristics of the directors as well as the posts as director or statutory auditor held by each one, in other companies listed on regulated markets, including those abroad, in financial, banking, insurance companies or those of significant dimensions, are listed in the documentation attached to this Report.

Maximum number of posts held in other companies

Art. 1.C.3 of Carraro SpA's Corporate Governance Code stipulates that the Board must express its policy as regards the maximum number of posts as director or statutory auditor , in other companies listed in regulated markets (including those abroad), in financial, banking, insurance companies or those of significant dimensions, that may be considered as compatible with effectively performing the office of director within the Company.

The outcome of the self-assessment process, performed by the Board on 25 February 2011 provided positive results as regards the activity performed by the Board and the Committees constituted within it, with reference to the satisfactory number of meetings, the efficiency and effectiveness of their work and their contribution towards reaching decisions as well as the important contribution provided by the directors with independent status.

Also in the light of the above, there is no change to the orientation already expressed previously by the Board which is of the opinion, as far as the current Board is concerned, that such an assessment had already been expressed by the shareholders when designating the directors at the ordinary Shareholders' Meeting held on 23 April 2009 and subsequently by each individual director when accepting office.

4.3. Role of the Board of Directors (pursuant to art. 123-bis, (2) (d) TUF)

During the course of the 2010 period, the Board held 9 meetings on the following dates:

| | |
|------------|--|
| 12.01.2010 | Controls pursuant to article 2343- <i>quater</i> Italian Civil Code |
| 24.02.2010 | Information on the data for the 2009 financial period from the Managing Director |
| 21.03.2010 | Scrutiny and approval of the Carraro Group consolidated financial statements and the proposed Carraro S.p.A. balance sheet as at 31 December 2009 |
| 23.04.2010 | Proposal for the determination of remuneration for the Board of Directors for the 2010 financial period |
| 30.04.2010 | Apportioning the remuneration of the Board for the 2010 financial period; program for the purchase of treasury shares |
| 11.05.2010 | Approval of the Quarterly Report |
| 6.08.2010 | Scrutiny and approval of the half-yearly report to 30 June 2010 |
| 12.11.2010 | Mandatory amendments to the articles of association pursuant to Italian Legislative Decrees Nos. 27 and 29 dated 27 January 2010 and updating of the articles of association; Scrutiny and approval of the Quarterly Report as at 30 September 2010; approval of the new Procedure on Transactions with Related Parties; |
| 15.12.2010 | Scrutiny and approval of the 2011 Budget; update to the Code of Ethics and the 231/01 Model; approval of the Regulations for the Human Resources and Remuneration Committee; |

The Board meetings lasted on average 2 hours. Eight meetings are scheduled for the current period, two of which have already been held.

The schedule of major corporate events was notified to the market and to Borsa Italiana S.p.A. in accordance with regulations.

The Board of Directors is the body charged with the Company's administration. It has the role of defining the strategy for the Company and the Group that it forms part of and has management responsibility for it. To this end it has the broadest powers for the ordinary and extraordinary administration of the Company, and has the power to carry out all the actions that it considers appropriate to implement and achieve the corporate purposes, excluding solely those that the articles of association and the law reserve strictly to the Shareholders' Meeting, in accordance with the Corporate Governance Code.

To be more specific, through the clauses in the articles of association, the assigned mandates and corporate practices, the Board is responsible for the following issues of major significance:

- the scrutiny and approval of the company and group's strategic programmes in terms of industrial, commercial, structural and financial issues;
- the scrutiny and approval of the budget and transactions having major significance to the company and group's profit/loss, capital and financial situation;
- examination and approval of the issuer and group's corporate governance system;
- appraisal of the adequacy of the company and group's general administration and management configuration;
- the assignment to and revocation of mandates from the Chairman and the Managing Director and the assignment or withdrawal of special powers of attorney to the managers in the Company;
- after consultation with the appropriate Committees and the Board of Statutory Auditors, the determination of the remuneration to the Chairman, Managing Director and the individual members of the Board and its Committees;
- monitoring the company and group's general management progress, periodically comparing the results achieved with those anticipated, paying particular attention to transactions having greater significance on the company and group's profit/loss, capital and financial situation;
- annual appraisal of the size, composition and operation of the Board and its Committees;
- definition of the Corporate Governance rules, as well as the monitoring over the adoption and compliance with the rules with reference to the adopted Corporate Governance Code;
- the scrutiny and approval of the guiding principles, operating limits and more generally, the management of the company and group's financial risks, as well as controlling compliance with the adopted policies;
- the scrutiny of all quarterly, half yearly and annual profit/loss and financial report documents;
- the scrutiny and approval of transactions with related parties, in accordance with the procedure described in greater detail in paragraph 12 below, as well as in matters where the Directors have an interest.

The company's articles of association stipulate that the Board of Directors also has the power to deliberate with regard to the following:

- the institution or termination of secondary offices;
- the transfer of the company headquarters within the national territory;
- company mergers and splits in the cases envisaged by articles ; 2505, 2505-*bis* and 2506-*ter* of the Italian civil code.

- the reduction of the company share capital in the event of the withdrawal of a shareholder;
- amendments to the articles of association to meet new legislative provisions;
- except when the Board considers it appropriate that the afore-mentioned resolutions are taken by an Extraordinary Shareholders' Meeting.

During February 2011, the Board assessed the adequacy of the Group's general management, administrative and accounting configuration, with specific reference to the internal control system and the management of conflicts of interest, according to the procedures already adopted by the Company for such purposes. Within the scope of this activity, the Board received the support of the Internal Auditing Committee, the Person in Charge of Internal Control and the Senior Manager in charge of preparing the corporate accounts documentation.

The amount received in fees by the members of the Board of Directors for the 2010 period is illustrated in detail in the notes to the financial statements as provided for in article 78 and Annex 3C of the Consob Regulations for Issuers and its subsequent amendments, as also summarised in paragraph 9 below.

The Board appraised the trend in general management at least every quarter, taking into consideration the information received from the mandated bodies, as well as by means of a periodical comparison between the results achieved and those anticipated.

On 25 February 2011 the Board made an assessment of the size, composition and functioning of the Board itself and its committees. The assessment process started with the filling in of a specific questionnaire by the members of the Board of Directors who expressed their opinions about the assessment of the key issues relating to the Board of Directors itself and its Committees, such as: (i) the functioning of the Board and its Committees (ii) the composition and size of the Board and its Committees, (iii) the Role of the Board and its Committees and (iv) the related standards of conduct.

From the analysis of the answers, we can summarise the outcome by saying that the overall assessment was positive as regards the size and composition of the Board and its Committees, the professional standards found within the Board and as regards the relations between executive, non-executive and independent directors.

The meetings are generally considered to be adequate in number and duration and also as regards the related meeting agendas. They are conducted in an atmosphere of cohesion, which facilitates open and constructive debate, respecting the contribution of each director and leading to decision-making characterised by broad consensus. The majority of suggestions made by the directors concerned the appropriateness of looking in greater depth into the individual sectors in which the Group operates and to ensure a constant and progressive level of monitoring over the internal control systems and the management of risks, also in the long term.

The Meeting was not called upon to authorise, in general terms, any exceptions to the non-competition rules as provided for in article 2390 of the Italian civil code.

4.4. Mandated Bodies

Managing Directors

The Managing Director, Alexander Josef Bossard is attributed all powers of ordinary administration, with the exclusion of any power or extraordinary administration pursuant to law and the articles of association and of the powers listed below, which are reserved to the Board of Directors or to the Chairman of the Board of Directors:

- entering into, modifying and/or terminating commercial affiliation agreements or agreements licensing industrial property rights;
- the issue or the withdrawal of mandates or general powers of attorney;
- the issue of security guarantees, the establishment of liens or mortgages on the assets of the Company;
- the acquisition, sale, licensing, the conferment of, and the granting of guarantees on the following:
 - immovable assets;
 - enterprises or business units;
 - company shareholdings.
- the approval of the Company's budget and any business plans;
- entering into, amending and terminating any form of banking and financing agreement (more specifically, opening credit lines, loans, advances against securities, invoices and goods, discounts);
- the issue, acceptance or endorsement of the Company's obligations;
- the opening or the closure of local units, plants, branches and agencies.

For the purposes of clarity, but without limitation to the assignment of the afore-mentioned delegated powers of ordinary administration, it is worth noting that the Managing Director is able to carry out the following (within the limits illustrated in the subsequent paragraph):

- maintain and sign company correspondence;
- sell and acquire goods, products, and any other unrecorded movable asset, as well as enter into, amend and terminate agreements for the supply of services and any other agreement, for charge or profit, that is necessary or beneficial for the management of the company;
- purchase and sell vehicles;
- collect any amount owed to the Company from any party (State, public and private entities, physical and/or legal persons and companies), as well as issue the relative receipts/releases;
- hire and dismiss managers, office staff and workers, and enter into, amend and terminate the related employment agreements;
- enter into, amend and terminate on-going and co-ordinated collaboration agreements and consultancy agreements;
- represent the Company in all dealings and relations with the State fiscal, financial, administrative and judicial offices and their dependent, local and semi-governmental administrative entities, pension, welfare insurance or mutual entities, with the power to agree earnings, issue statements and certificates, open legal proceedings before any administrative and legal authority in the Republic of Italy; make charges, lodge complaints against any measure issued by the afore-mentioned authorities and offices and sign the related documents and/or consequential deeds;
- represent the Company in proceedings before all the authorities in the Republic of Italy and foreign states, as well as all international authorities, appoint advocates and attorneys for the proceedings, including for appeals, claims for revocation, cassation and before the Constitutional Court;
- settle and reconcile any pending suit or dispute the Company has with third parties, including pending suits and disputes on employment with managers, office staff and workers, appointing arbiters and/or amicable arbitrators and signing the relative settlement deeds;
- represent the Company in any bankruptcy proceedings with all the necessary powers; promote and/or request declarations of insolvency, take part in meetings of creditors, accept and exercise the office of member of the committee of creditors, if the appointment falls on the Company; declare credits confirming their existence and extent; accept and reject schemes of composition and do all else that is necessary and/or useful in such procedures;

- receive from post and telegraphic offices, shipping companies and any other transport enterprise, ordinary, registered and/or insured letters and parcels; collect postal or telegraphic orders, cheques and drafts of any kind and any amount; request and receive amounts, securities, goods and documents, signing the relative receipts, releases from liability, with any public and/or private administration, amongst other, at any public and/or private savings institution, including the State Treasury, the *Cassa Depositi e Prestiti* (state funded bank), funds owed by the state, customs offices and state and private railway offices, either in their central, regional and/or local offices, and including the regional tax revenue services and their local sections; carry out any other deed or transaction with the aforesaid administrative authorities;
- sign bills of exchange from the Company's clients as the drawer, issue bills of exchange and orders, endorse cheques, drafts and bills of exchange, but in any event draw them and pay them into the Company's current accounts or protest them, offer bills of exchange issued by the Company's customers in discount on their order and drafts issued by the Company on amounts receivable from its customers;
- receive, form and release deposits, including for the purposes of security, allow bonds of any type;
- carry out all financial transactions for the ordinary administration of the Company, open current bank accounts and a current account in the name of the Company with the post-office authorities; make withdrawals, make payments, sign cheques against the above current accounts, including the use of overdrafts, within the granted overdraft limits, monitor these current accounts and approve their statements;
- carry out each and every activity concerning compliance with legislation on safety, protection of the environment and privacy and represent the Company before each and every associated public and private office and entity;
- delegate part of the afore-said powers to senior managers, middle managers or office staff in the company or to third parties, provided that the delegated powers do not give rise to the supposition of direct representative as provide for in articles 2203 *et seq* of the Italian civil code.

Moreover, the following values apply to the powers of ordinary administration attributed to the Managing Director:

- settling, defining and reconciling proceedings and disputes (including arbitrations) of an amount no greater than, per individual dispute, Euro 1,000,000 (one million);
- negotiating, entering into, amending and/or terminating:
 - agreements for the acquisition of machinery, plant, equipment and/or vehicles of an amount no greater than, per individual agreement, Euro 1,000,000 (one million);
 - consultancy agreements of a value no greater, per individual agreement, than Euro 250,000 (two hundred and fifty thousand);
 - any other agreement that stipulates obligations for the Company of amounts no greater, per individual agreement, than Euro 1,000,000 (one million), with the exception of agreements for the supply of goods to the company's customers, for which the aforesaid limit will not apply.

Chairman of the Board of Directors

The Chairman Mario Carraro is attributed all the powers of the ordinary and extraordinary administration envisaged by law and/or the company's articles of association, excluding the following limitations, which are reserved to the Board of Directors:

- the acquisition or sale of stock including minority holdings;
- the assignment of security guarantees, collateral or mortgages on company assets;
- the acquisition or divestment of immovable assets;
- approval of the economic and financial budget.

The maintenance of mandates held by the Chairman is based on the preservation of continuity, as ensured by the controlling shareholder, in the management objectives as well as to ensure the strategic vision of the Company and the Group, in consideration of his experience within the business areas, customers and markets where the Company has operated for some time. In actual fact the Chairman performs the role of co-ordination and strategic planning while the executive management of the Company and the Group lies with the Managing Director. The clause in the Corporate Governance Code under point 2.P.4 is therefore deemed as complied with, as it suggests avoiding the concentration of different company roles on one single person.

The Chairman of the Board is the controlling shareholder in Carraro through Finaid S.p.A.

Information provided to the Board

During the 2010 trading period, the Managing Director reported to the Board at least every quarter regarding the activities he had performed in the exercise of the mandates assigned to him.

4.5. Other Executive Directors

In June 2007 the Board appointed Enrico Carraro as Deputy Chairman of the Company in order to substitute the Chairman in the event of his absence or impediment in presiding over the meetings of the Meeting or the Board of Directors. The Deputy is conferred the specific roles of co-ordination of the Group operations in all New Business, Development, Corporate Image and Communication Initiatives by researching, assessing and developing new strategies and the related medium and long-term plans to submit to the Board of Directors. The Board re-confirmed Enrico Carraro in this role for the 2009 financial year and again assigned him the following powers:

- to be executed with a single signature:
 - representing the Company in the OGMs of subsidiary companies;
 - employing, dismissing and setting the remuneration of the Senior Managers in the Company;
 - issuing directives to subsidiary companies, to the related company bodies and to the management structure to ensure the unitary direction and co-ordination of the group pursuant to the strategies defined by the Board of Directors and the management decisions taken by the Chairman and/or Managing Director;
- to be executed together with the joint signature of the Managing Director, for the following operations:
 - settling, defining and reconciling proceedings and disputes (including arbitrations) of an amount, per individual dispute, between Euro 1,000,000 and 2,000,000;
 - entering into consultancy agreements of an amount, per individual agreement, of between Euro 500,000 and Euro 1,000,000;
 - entering into any other agreement that stipulates obligations for the Company of an amount, per individual agreement, of between Euro 1,000,000 and Euro 2,000,000, with the exception of agreements for the supply of goods to the Company's customers, for which no limit will apply.

Tomaso Carraro is the Chairman and Managing Director of the company Gear World S.p.A., a subsidiary company having a strategic significance.

4.6. Independent Directors

Annually the Board assesses the existence of the requirements of independence for each non-executive director and any circumstances that could prejudice their autonomous judgement.

Pursuant to the Corporate Governance Code and taking into consideration the information supplied by each director, the following non-executive directors, Anna Maria Artoni, Arnaldo Camuffo, Pietro Guindani, Marco Milani and Antonio Cortellazzo are independent directors elected by the Meeting on 23 April 2009 and have declared that they possess the requirements stipulated in the Corporate Governance Code that allow them to qualify themselves as independent directors and that they satisfy the requirements of independence pursuant to art. 148 (3) TUF.

At the meeting held on 25 February 2011, the Board made an appraisal regarding the existence of the requirements of independence of the aforesaid Directors, after having acquired all appropriate information regarding them, also on the basis of information provided by each of them.

At their meeting held on 29 March 2011, the Board of Statutory Auditors, within the sphere of the tasks assigned to them, verified the application of the criteria and the assessment procedures adopted by the Board to assess the independence of its members.

During 2010 the independent directors met once in the absence of the other directors, on 15 December 2010.

4.7. Lead Independent Director

The independent directors decided not to appoint a lead independent director, since the separation of the roles of Chairman, Deputy Chairman and Managing Director is fully effective and there is a satisfactory balance between executive and independent directors as recommended by the Corporate Governance Code, and this balance works particularly well due to the effective operation of the consultative Committees.

On account of this, the independent directors did not consider it necessary to appoint a lead independent director and as regards the convening of meetings exclusively for the independent Directors, each one may autonomously take the initiative to call a meeting by proposing the issues for discussion.

5. Processing of company information

The circulation of information, in particular price sensitive information, regarding the Company is to be treated with the necessary confidentiality.

All directors, heads of Business Units, senior and department managers and other employees are required to maintain the confidentiality of documents and information acquired in carrying out their roles, and to comply with prescribed procedures for the communication externally of such documents and information.

The Chairman and the Managing Director are responsible for the correct processing of confidential information. To this end Carraro S.p.A. has adopted formal procedures for the

internal management and external communication of documents and information regarding the Company, with reference in particular to price sensitive information.

Moreover, following the assimilation into Italian legislation of European directive 2003/6/EC on market abuse, with Italian Law no. 62/2005, as well as with the TUF and the related regulations issued by Consob, Carraro's Board of Directors passed a resolution on 11 May 2006 adopting the "Procedure for the processing of confidential information" and creating the "Register of persons who have access to confidential information" and issuing a "Procedure for the maintenance and updating" of this Register. Subsequently on 24 July 2008, the Board passed a resolution updating this procedure and making it more relevant to the Company's management and organisational structure.

The Board of Directors approved the "Code of Conduct on Internal Dealing" on 20 December 2002 and passed a resolution updating it on 29 March 2006 following the assimilation into Italian legislation of Directive 2003/6/EC with Italian Law no 62/2005 on market abuse, which modified the legislative framework on Internal Dealing.

The Code of Conduct on Internal Dealing may be consulted on the company website at the following address: www.carraro.com – Investor Relations – Corporate Governance. The code provides rules on the flows of information relating to transactions carried out by Significant Entities and by persons strictly associated with them, on the financial instruments issued by Carraro.

The Chief Financial Officer was identified as the person in charge of receiving, managing and distributing to the market the information on operations carried out by Significant Entities. This officer shall ensure compliance in accordance with the Code.

The Significant Entities must notify the person i/c about the transactions carried out on financial instruments issued by the company, by each one of them and by the persons closely associated with them, which exceed Euro 5,000 (five thousand) cumulatively over the course of the year. These notices must be made in accordance with the deadlines indicated in the Code.

In this way an account is kept of the transactions carried out by each Significant Entity, their spouses (if they are not legally separated), their dependent children (including those of the spouse) and, if cohabiting for at least one year, by the relatives, parents and kin of the Significant Entities. "Blocking periods" have also been defined, during which no operation may be put into effect.

The Board of Directors can, for contingent and exceptional reasons, put into effect prohibitions or limitations on the implementation of transactions, in other specific periods of the year, by all or some of the Significant Entities.

6. Committees within the Board (pursuant to art. 123-bis, (2) (d) TUF)

On 7 May 2009 the Board passed a resolution constituting the following Committees:

- Internal Auditing Committee;
- Human Resources and Remuneration Committee;
- Strategic Operational Committee

No committees have been constituted within the Board that carry out the functions of two or more of the committees envisaged in the Code.

All committees act merely in a consulting role and support the Board in examining the issues within its sphere of competence.

Each Committee is supported in the organisation of its meetings by the company departments as required from time to time. The minutes of the meetings of each Committee are recorded.

The members of the Committees have access to information and the company departments as required for carrying out their tasks and, where considered necessary, may make use of external consultants.

In spite of the Board not having approved a specific budget for each Committee, the Committees may make use from time to time of the financial resources necessary to carry out their respective tasks. Each Committee reports to the Board periodically on the activities it has carried out.

The Board also established the Strategic Operational Committee, in addition to those indicated in the Corporate Governance Code and assigned it the task of assisting the Board in the elaboration of the strategic policies for the Company and the Group. The Committee's functions may be defined as preparatory, or of assistance to the Board in the preparation and drafting of documents such as business plans, budgets and strategic plans that are to be submitted to the Board for approval. It also has directional functions in relation to the work of the Managing Director. The following are members of this Committee: Enrico Carraro (Chairman), Alexander Bossard, Pietro Guindani and Marco Milani.

7. Appointments Committee

The Board of Directors did not consider it necessary to form an internal Committee to propose appointments. This is because, on the one hand, the list voting system ensures protection for minority shareholders and, on the other hand, the Board is composed in such a way as to enable them to carry out the function of an Appointments Committee.

8. Human Resources and Remuneration Committee

On 7 May 2009 the Board of Directors established within the Board a Human Resources and Remuneration Committee which replaced the previous Remuneration Committee.

The Human Resources and Remuneration Committee is composed of four independent directors (Arnaldo Camuffo, Antonio Cortellazzo, Pietro Guindani and Marco Dilani) and one executive director (Enrico Carraro). The Chairman of the Human Resources and Remuneration Committee is Pietro Guindani.

On 15 December 2010 the Board approved the Regulations of the Human Resources and Remuneration Committee, which governs its tasks, its composition and the procedures on how its meetings should be run, and expressly sets out the composition of the Committee and the procedures on how its members should take part in the meetings whether they are executive, non-executive or independent directors in line with the issues which shall be discussed from time to time. If the Committee is called upon to carry out the tasks assigned to it by the Corporate Governance Code, only the independent directors shall take part.

In addition to the functions provided for in the Corporate Governance Code, the Committee has also been assigned the functions indicated in the new Procedure for Transactions with Related Parties, as adopted by the Board on 12 November 2010, as well as the additional tasks relating to the evaluation and formulation of proposals and recommendations on management and human resource development plans and organisation.

In particular, with reference to the Committee's functions pursuant to the Procedure for Transactions with Related Parties, the Committee expresses its precautionary and reasoned opinion on the Company's interest in carrying out Transactions with Related Parties (as defined in the Procedure) as well as on the expediency and substantial correctness of the related conditions if the Transaction with Related Parties (as defined in the Procedure) concerns the assignment or increases in remuneration and economic benefits of any kind, including the granting of loans or guarantees to a member of an administrative or supervisory body or to a senior manager with strategic responsibilities.

The Committee is also assigned further tasks of a propositional and consultative nature regarding (i) methods for assessing the quality of individual performance and the model of company leadership, based on proposals from the Managing Director; (ii) assessing the quality of the Managing Director, the managers with strategic responsibilities and the candidates for such positions, the identification of procedures for development and strategies for retention; (iii) assessment of the organisational structure regarding business strategies and procedures for succession; (iv) based on information provided by the Managing Director, the sharing of ideas on macro-dynamics in workforces and labour costs and policies of diversity management, where applicable.

The Committee met 7 times during 2010 to discuss the following issues, in addition to others: the formulation of proposals on remuneration for Directors who have been delegated particular powers by the Board and for other Directors who hold particular offices; the assessment of the Managing Director's objectives for 2009; the evaluation of the criteria adopted for the remuneration of managers with strategic responsibilities and in particular of the MBO variable incentive scheme for 2011; the evaluation of the Carraro Group's Leadership model and Performance Management; the evaluation of the impact and any activities required to comply with the new article 7 of the Code regarding directors' remuneration.

During the 2010 financial year, the Committee did not pass any resolutions on the remuneration of individual directors thereby requiring the person in question to abstain, except for when the Deputy Chairman Enrico Carraro abstained during the meeting held on 14 April 2010, when the Committee deliberated on a proposal to the Board of Directors on the remuneration of Managing Directors and other directors who hold particular offices.

9. Remuneration of Directors

The Human Resources and Remuneration Committee examines and makes proposals to the Board of Directors on the overall amount of remuneration to be paid to directors. Then, subsequent to the approval by the Shareholders' Meeting, the Board, again on advice from the Committee, defines how the total sum should be allocated to each individual member.

During the 2010 financial year, the Chairman and the Deputy Chairman received only a fixed remuneration.

Conversely, the Managing Director is paid a variable fee, on top of a fixed amount, linked to the achievement of short- and medium-term targets as set by the Board of Directors, on the advice of the Committee. A shareholder incentive scheme is not provided for directors and managers with strategic responsibilities.

The remuneration of non-executive administrators is not linked to the financial results achieved by the company.

The following table shows the remuneration (in thousands of Euros) paid to the directors and statutory auditors who were in office during the 2010 financial year.

Annex 3 C Table 1 RE

| Name and surname | Position held (Three years 2009-2011) | Carraro S.p.A. remuneration 2010 | | | Other remuneration: | Total 2010 |
|---|---|----------------------------------|------------|-----------------------|---------------------|--------------|
| | | Remuneration | Bonuses | Non-monetary benefits | | |
| Mario Carraro | Chairman | 750 | | | 30 | 780 |
| Enrico Carraro | Deputy Chairman Chairman, Strategic Operational Committee Member, Human Resources and Remuneration Committee | 310 | | | 260 | 570 |
| Tomaso Carraro | Manager, Gear World Business Unit Member, Strategic Operational Committee | 220 | | | 350 | 570 |
| Francesco Carraro | Director | 50 | | | - | 50 |
| Alexander Bossard | Managing Director Member, Strategic Operational Committee | 350 | 525 | 60 | 20 | 955 |
| Anna Maria Artoni | Member, Internal Auditing Committee | 100 | | | - | 100 |
| Arnaldo Camuffo | Member, Internal Auditing Committee Member, Human Resources and Remuneration Committee | 110 | | | - | 110 |
| Antonio Cortellazzo | Chairman, Internal Auditing Committee Member, Human Resources and Remuneration Committee Chairman, Supervisory Body | 130 | | | - | 130 |
| Pietro Guindani | Member, Human Resources and Remuneration Committee Member, Strategic Operational Committee | 120 | | | - | 120 |
| Marco Milani | Member, Human Resources and Remuneration Committee Member, Strategic Operational Committee | 110 | | | - | 110 |
| Board of Directors | | 2,250 | 525 | 60 | 660 | 3,495 |
| | | | | | | |
| Luigi Basso | Chairman, Board of Statutory Auditors | 30 | | | 1 | 31 |
| Saverio Bozzolan | Member, Board of Statutory Auditors | 20 | | | - | 20 |
| Roberto Saccomani | Member, Board of Statutory Auditors | 20 | | | 4 | 24 |
| Board of Statutory Auditors | | 70 | - | - | 5 | 75 |
| | | | | | | |
| Managers with strategic responsibilities | | - | - | - | 2,411 | 2,411 |

It should also be pointed out, in compliance with the request made by Consob with Note DEM/11012984 dated 24.02.2011 (pursuant to art. 114 (5) TUF), that there is an agreement between the Company and the Managing Director, Alexander Bossard, which provides for the acknowledgement of an indemnity of one year's gross remuneration if he leaves office. At the moment there are no other agreements that provide for an indemnity in the event of resignation or dismissal without due cause or if the employment should be terminated as a result of a public purchase offer.

10. Internal Auditing Committee

On 07 May 2009 the Board re-formed an Internal Auditing Committee within the Board. The Internal Auditing Committee is composed of three independent directors: Anna Maria Artoni, Arnaldo Camuffo and Antonio Cortellazzo. The Chairman of the Internal Auditing Committee is Antonio Cortellazzo. The current composition of the Committee is in line with the recommendations of the Code that prescribes that the members of the Internal Auditing Committee are non-executive directors, the majority of whom must be independent directors and at least one of them must have adequate financial and accounting experience.

The Internal Auditing Committee provides the Board with proposals and advice and more specifically it is assigned the following tasks:

- supporting the Board in carrying out its tasks assigned to it by the Code, with regard to internal control issues;
- assessing the compliance with accounting principles and, in the case of the group, their homogeneity for the purposes of the preparing the consolidated financial

statements, together with the Senior Manager in charge of preparing the corporate accounts documentation and the auditors;

- providing opinions, upon request from the responsible executive director, on the specific aspects relating to the identification of key corporate risks, as well as on the planning, creation and management of the internal control system;
- examining the programme prepared by the persons in charge of internal control as well as their periodic reports;
- assessing the programme set out for auditing and the results illustrated in the report and in any letters with recommendations;
- monitoring the efficacy of the accounts auditing process;
- reporting to the Board at least half-yearly, when the financial statements and the half-yearly reports are approved, on the activities they have carried out as well as on the adequacy of the internal control system;

The Internal Auditing Committee met regularly in a total of 7 meetings during 2010 both to discuss *institutional* issues and to examine the processes for revising the organisational and control systems aimed at compliance with the new standards of corporate governance. Each meeting enjoyed the attendance of all of its members, the Board of Statutory Auditors, the person in charge of internal control and the person responsible for Internal Auditing, and the Managing Director as the executive director responsible for internal control. Other senior managers or department/office heads in the company also attended the meetings from time to time when interested or directly involved in issues being discussed, such as the Manager of the Administration, Finance and Control (also as Senior Manager in charge of preparing the corporate accounts documentation), the Administrative Manager and the Manager of the Legal Affairs. Also attending the meetings were the auditing company and the external consultants when the meetings discussed their related issues.

The matters discussed with the relative opinions, recommendations and resolutions on issues of information and consulting operations for the Board of Directors, were as follows:

a) Issues of a legislative and managerial nature:

- Organisation, management and control Model pursuant to Italian Legislative Decree 231/2001 (the "Model"):
 - 1) managing the Carraro S.p.A. Model;
 - 2) examining the 231 Management Model of Carraro S.p.A. and the Code of Ethics of the Group, as updated and supplemented with provisions on offences of money-laundering and cybercrime (art. 25-*octies* and 24-*bis* of Italian Legislative Decree 213/2001);
 - 3) monitoring the process of adoption of the 231 Management Model by Carraro Spa's Italian subsidiaries;
- follow-up to the programme of checking the procedures that monitor the key corporate cycles that was implemented following the new legislation introduced by the updated version of Italian Law No. 262/2005 ("Investment Act"); updates to the assessment of internal controls and the test programme for the year in progress;
- scrutiny of the Audit Plan for 2010;
- examining the document which identifies the guidelines on internal transfer prices relating to intra-group transactions;
- examining the new Procedure on Transactions with Related Parties.

b) Issues of an institutional nature:

- examination of the Letter of recommendations following the auditing of the financial statements and consolidated financial statements as of 31.12.2009, arising from the specific meeting held with the auditing company and the Board of Statutory Auditors and the consequent action plan produced by the Company;
- aspects emerging from the auditing of the consolidated half yearly report as at 30.06.2010 during the specific meetings held with the auditing company and the Board of Statutory Auditors;

The auditing activities focused on the issues referred to in letter a) above and namely:

Management Model pursuant to Italian Legislative Decree 231/2001

The Committee continually monitored the process of the Management and Updating of the Management Model for the company according to the instructions in Italian Legislative Decree 231/2001, based on the information obtained from the Supervisory Body and the checks carried out and their related outcomes. It also analysed the progress in the process of updating the Model until the Model had been prepared and updated in line with the new legislative and organisational regulations put into effect and approved by the Board of Directors on 15 December 2010 and at the same time monitored the process of preparation of the 231 Management Models of the Italian subsidiaries.

b) Auditing and verification process of the adequacy of the procedures

The Auditing Committee also performed checks on the activities aimed at evaluating the adequacy of internal controls over the procedures governing the key company cycles (the so-called "project 262"), their control and updating. In 2010, the Internal Audit department updated the information gathered on the procedures, carried out testing and amended the corrective plans aimed at improving the processes.

11. Internal Control System

With the support of the Internal Auditing Committee, the Board defined the strategies for the internal control system, so that the key risks relating to the company and its subsidiaries are correctly identified and adequately measured, managed and monitored, by determining, in addition, the criteria of compatibility of these risks with a prudent and correct management of the company.

Through an appropriate process of control and management of key risks, the internal control system has the following purposes:

- a) to assess the adequacy of the company processes in terms of efficiency and efficacy;
- b) to ensure the reliability and accuracy of the financial information;
- c) to ensure the protection of the company's value;
- d) to ensure compliance of operations with internal and external regulations.

The Board of Directors ensures that its assessments and decisions relating to the internal control system, the approval of the financial statements and the half-yearly reports and the relations with the auditing company are supported by appropriate preparatory work. This activity is usually assigned to the Internal Auditing Committee which, in the presence of the Board of Statutory Auditors, systematically deals with issues directly or indirectly relating to internal control, including the checks on the correct application of the established

accounting principles also with meetings and exchanges of information with the auditing company. The outcomes of these activities are reported to the Board of Directors.

A brief description of the principal characteristics of the existing systems of managing risks and internal control in relation to the process of financial disclosures (including the consolidated financial disclosures) pursuant to art. 123-bis (2) lett. b) of the TUF, is provided in Annex 1.

During the course of the trading period, the Internal Auditing Committee referred regularly to the Board on the work of the Committee, on the outcome of the checks it had carried out and the working of the internal control system illustrating how the re-structuring and re-organisation completed in 2010, mainly as a consequence of the significant re-dimensioning of the volume of business recorded in the previous year, had led to a partial revision of the operative processes against the current framework of management and financial risks. The aforesaid phenomena also led to a re-distribution of the relative weighting of the various entities within the Group's structure.

The overall assessment emerging from the results of the checks carried out during the year allows us to confirm that the current internal control system substantially demonstrates an acceptable level of adequacy in protecting against the key risks arising from the Group's activities.

At the same time, it should be pointed out that the current nature of the Group with the re-composition of various business units and areas according to a new scale of importance – in addition to what had already been highlighted in the past regarding management complexities due to the geographical distribution and inclusion in different business sectors – maintains the need to act in order to bring the internal control systems of the various entities into line with the highest standards of adequacy.

11.1. Executive director in charge of the Internal Control System

On 7 May 2009, the then Managing Director, Carlo Borsari, was designated by the Board as the executive director in charge of supervising the working of the internal control system. Subsequently, following his resignation, which took effect from 31 July 2009, the Board assigned the same task to the new MD, Alexander Bossard, on 4 August 2009.

In this role, the Managing Director has performed the following tasks:

- a) identifying the key corporate risk areas, in consideration of the features of operations carried out by the company and its subsidiaries, and subjecting them periodically to the scrutiny of the Board or its committees;
- b) putting into effect the strategies defined by the Board, planning, creating and managing the internal control system and constantly checking on its adequacy, efficacy and efficiency;
- c) amending the system to the operating conditions and the legislative and regulatory panorama;
- d) proposing to the Board the appointment, dismissal and remuneration of one or more persons in charge of internal control.

11.2. Person in charge of Internal Control

The office of person in charge of internal control is assigned to the Manager of Internal Auditing. The remuneration of this person was defined by the company management.

The person in charge of internal control is not responsible for any operational area and does not report to any manager of operational areas, including the area of administration and finance.

The person in charge of internal control:

- had direct access to all information necessary for carrying out his task;
- reported his work to the internal auditing committee and the board of statutory auditors
- also reported his work to the executive director responsible for supervising the working of the internal control system

The person in charge of internal control was given adequate means to perform the duties assigned to him.

The key activities carried out during the trading period by the person in charge of internal control were the development of activities relating to the issues examined by the Internal Auditing Committee.

Carraro created an Internal Audit Department. This department is independent from all other company departments and reports to the Board of Directors, usually through the Internal Auditing Committee, and to the executive director in charge of supervising the working of the internal control system.

11.3. Management Model pursuant to Italian Legislative Decree 231/2001

On 29 March 2007 the Board of Directors passed a resolution adopting a Management Model pursuant to Italian Legislative Decree 231/2001, thereby implementing and formalising a Management structure that already existed in the Company and had been continually updated. We would also like to point out that this adoption took place on the conclusion of a project for the assessment of risks relating to the possible offences envisaged by the decree - an analysis of the company procedures highlighting the weaknesses and the areas of improvement and the consequent programme of adjustment.

As regards the offences, for which entities may be considered responsible, the Decree takes into consideration offences against the Public Administration, corporate offences, the counterfeiting of coinage, in public credit cards and stamps and instruments and signs of recognition; cybercrimes and unlawful handling of data; offences committed for the purposes of terrorism and the breakdown of democratic order, crimes against the individual, offences relating to the abuse of confidential information and market manipulation, offences of involuntary manslaughter and serious or highly serious involuntary injury, committed in breach of accident prevention laws and the protection of health and hygiene in the workplace; offences against industry and commerce, offences relating to breaches of copyright; offences related to organised crime, money-laundering; persuasion towards not making statements to the judicial authorities or providing them with false statements, as well as international crimes under Italian Law no 146/2006.

The Board of Directors subsequently approved:

- on 16 December 2008 the updated version of the Model, by extending the area of offences with particular reference to Italian Law No. 123/07 that introduced corporate liability for offences committed in violation of health and safety legislation (Italian Legislative Decree 81/2008). On the same date, the Group's Code of Ethics was also adopted.
- on 15 December 2010 a further updated version of the Model with the inclusion of the offences of money-laundering and (art. 25-*octies* of Italian Legislative Decree 231/2001) and cybercrimes (art. 24-*bis* of Italian Legislative Decree 231/2001) in addition to other adjustments required with the new corporate organisation.

During the 2010 financial year, the activities supplementing and extending risk assessment relating to the aforesaid new types of offences and the preparation of the new Model were all completed.

The functioning and compliance with the Carraro S.p.A. Model was placed by the Board under the control of the Supervisory Body, a committee having autonomous powers of initiative and control.

This body consists of an Independent Director, the Head of Internal Auditing and the Legal Affairs Manager.

The Code of Ethics and an extract of the Model may be consulted on the company's website: www.carraro.com – Investor Relations – Corporate Governance.

11.4. Auditing Company

The law prescribes that during the course of a trading period an independent auditing company should check that the company account books are kept correctly, that operations are recorded accurately in the accounts, and that the financial statements and the consolidated group financial statements correspond to the entries in the account books and the audits carried out, and that they comply with the related legislation.

With a resolution of the Meeting passed on 15 May 2007, the Company assigned the auditing to PricewaterhouseCoopers S.p.A. for the certification of the financial statements relating to the nine-year period 2007/2015, as prescribed by Italian Legislative Decree No. 303/06.

11.5. Senior Manager in charge of preparing the corporate accounts documentation

Enrico Gomiero, the Chief Financial Officer, was appointed as senior manager in charge of preparing the corporate accounts documentation, on 26 June 2007.

The Internal Auditing Committee, together with the Board of Statutory Auditors proposed the appointment of the Chief Financial Officer as the Senior Manager in charge of preparing the corporate accounts documentation. The reason for this was that following the assessment made, the company post held by Mr Gomiero was the most appropriate for the requirements needed for such a position, due to the posts he had already held, his qualifications and the responsibilities inherent therein.

Moreover the Board resolved that the Senior Manager, in order to carry out the tasks assigned to him, will be provided with the financial and human resources in line with the

annual budget prepared by the Senior Manager in charge and approved by the Board of Directors. In any event the facility is assured for the Senior Manager in charge to adopt any initiative required by urgent and contingent situations, which may exceed the approved budget, provided that the Board is immediately informed of this at the following meeting.

The Senior Manager in charge, (i) where necessary and appropriate, may make use of the collaboration of other company departments in addition to those he manages in the role of senior manager in the company, in order to carry out his task, in accordance with procedures that will be agreed with them, and (ii) has the authority and the duty to issue instructions to the subsidiary companies, within the limits of the resolutions passed by their company bodies and the responsibilities that each of these have, and to see that they adopt all actions, procedures and activities considered appropriate to enable the same Senior Manager in charge to be able to carry out the tasks assigned to him and provided for by Italian Law No. 262/2005.

12. Directors' Interests and transactions with related parties

The Procedure for Transactions with Related Parties whose entire text may be consulted on the company's website: www.carraro.com – Investor Relations – Corporate Governance, was unanimously approved by the Company's Board of Directors on 12 November 2010, following the favourable opinion expressed unanimously by the Internal Auditing Committee pursuant to art. 4 (1) and (3) of the Consob Regulations on the provisions relating to transactions with related parties, adopted with resolution No. 17221 dated 12 March 2010 and subsequently amended with resolution No. 17389 dated 23 June 2010 .

The Procedure indicates the principles to which the Company must adhere in order to ensure the correctness and openness of transactions with related parties with regard to three primary aspects: identification of the counterparties, the management procedures and the openness of disclosures. For this purpose, the document defines and identifies the parties referred to as "related parties" and the transactions with related parties. In examining each relationship with related parties, attention was paid to the substance of the relationship and not simply to its legal format.

The most important transactions must be approved by the Board beforehand with a binding and reasoned opinion provided by the Internal Auditing Committee, except when the resolutions concern remuneration for which the Human Resources and Remuneration Committee has been attributed responsibility. Such transactions involve providing the public with a disclosure document.

Other transactions, unless they fall within the residual category of low value transactions, are defined as "less important" and can be implemented on receipt of a reasoned and non-binding opinion from the same Committee. The Procedure also outlines the cases where the Procedure need not be applied, including in particular those ordinary transactions that are concluded at conditions equivalent to market or standard conditions, intra-group transactions, provided that there are no significant interests for other related parties of the Company, and for transactions of a low value.

13. Appointment of Statutory Auditors

The Company's articles of association prescribes that the Board of Statutory Auditors consists of three regular statutory auditors and two substitutes appointed by the Meeting by means of a list voting system, to ensure minorities appoint one regular Statutory Auditor and one Substitute Auditor.

On 12 December 2010, the Board of Directors passed a resolution adopting the mandatory amendments to the articles of association under the provisions of Italian Legislative Decree No. 27 dated 27 February 2010, regarding the appointment of Statutory Auditors.

Only shareholders that by themselves or together with other shareholders are the holders of stock representing at least 2.5% of the share capital with voting rights in the ordinary Shareholders' Meeting are entitled to present lists, or those who represent a different percentage that may be determined by Consob pursuant to its Regulations for Issuers. The lists presented by Shareholders should be presented to the headquarters of the Company at least 15 days prior to the date set for the Shareholders' Meeting on the first call or, in specific cases up to the fifth day following that date.

For additional procedures and the legitimate presentation of the lists, the provisions in the TUF, the Consob Regulations for Issuers and article 30 of the company articles of association shall apply. Together with each list, the declarations with which the individual candidates accept their nomination must be presented and published, declaring under their own responsibility, that there are no causes prejudicing their eligibility and compatibility and that they satisfy the requirements prescribed for their respective roles.

Each candidate must present a résumé of his or her personal and professional characteristics alongside the declarations. The Statutory Auditors are selected from persons who may be defined as independent, also according to the criteria prescribed by the Code with regard to Directors. The Board of Statutory Auditors examines the compliance with these criteria after the appointment and thereafter, every year.

Those persons, who according to the law or the regulations are subject to ineligibility or loss of office, or do not have the necessary requirements may not be elected as Statutory Auditors, and if they are elected they will lose office. The chair of the Board of Statutory Auditors falls to the regular member having obtained the highest number of votes in the second list.

14. Statutory Auditors (pursuant to art. 123-bis, (2) (d) TUF)

The Board of Statutory Auditors monitors compliance with the law and the articles of association and has a control function over the management of the company.

Italian Legislative Decree No. 39/2010 (that assimilated Directive 2006/43/EC regarding the legal auditing of annual accounts) came into force on 7 April 2010 and assigned the Board of Statutory Auditors the role of Committee for internal control and accounts auditing with the task of monitoring the process of financial disclosures, the effectiveness of the systems of internal control, internal auditing and risk management, the legal auditing of the annual accounts and consolidated accounts and the independence of the legal auditing company, in particular as regards the provision of non-auditing services to the entity subject to legal auditing of its accounts.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 23 April 2009 and finishes its term of office at the Shareholders' Meeting for the approval of the 2011 financial statements. The Chairman of the Board, Luigi Basso, and the substitute auditor Silvano Corbella were elected from the list presented by minority shareholders whereas the regular statutory auditors, Saverio Bozzolan and Roberto Saccomani were elected from the majority list.

By applying all the procedures prescribed by the Code, the Board of Statutory Auditors verified the continuing existence of the criteria of independence of its members as required by law for statutory auditors and also as by the Code as regards directors.

During the course of 2010 there were no situations for which the members of the Board of Statutory Auditors would have had to declare their interests or those of a third party in a specific company transaction. The exchange of information between the Board of Statutory Auditors and the Internal Auditing Committee takes place through the systematic participation of the Board of Statutory Auditors at the meetings of the Committee.

The Board of Statutory Auditors, in office at the date of this Report and until the approval of the financial statements for the trading period to 31 December 2011, is made up as follows:

| Name | Office | In office since | List | Indep. p. as per Code | % attend ance at meeti ngs | Oth er offic es |
|----------------------|--------------------|-----------------|---------------------------------|--------------------------------|---|--------------------------|
| Luigi Basso | Chairman | 23 April 2009 | Bipiemme Gestioni SGR SpA | X | 100% | 14 |
| Saverio Bozzolan | Regular Auditor | 23 April 2009 | Finaid | X | 100% | 1 |
| Roberto Saccomani | Regular Auditor | 23 April 2009 | Finaid | X | 100% | 20 |

LEGEND

Indep.: indicates whether the auditor qualifies as independent in accordance with the Code.

% attendance at meetings indicates the auditor's percentage of attendance at meetings

Other offices: indicates the total number of posts of administration and control held in companies illustrated under Book V, Heading V, Chapter V, VI and VII of Italian civil code.

No statutory auditor ceased to hold office during the course of the trading period.

No changes in the composition of the Board of Statutory Auditors have been put into effect since the date of the closure of the trading period.

The Board of Statutory Auditors held a total of 9 meetings during the course of the trading period.

The Board has planned to hold 11 meetings during 2011, 3 of which have already been held. During the meeting held on 29 March 2011, the Board of Statutory Auditors performed its own checks on the existence of the requirements of independence of the directors, the continuing existence of the requirements of independence relating to themselves and also performed checks on the independence of the auditing company, in compliance with the legal and regulatory provisions on such matters, as well as on the nature and extent of the services other than the legal auditing of the accounts supplied to the company and its subsidiaries by the same auditing company and by the entities belonging to the latter's network.

15. Relations with Shareholders:

The company has an interest in establishing and maintaining a continual dialogue with shareholders, as well as with institutional investors and analysts. This is established by the Investor Relations operations which are carried out in harmony with the top management of the company through timely and comprehensive communication of significant events, as also by holding regular meetings with analysts and investors.

The Company's website has the "Investor Relations" section, which can be easily identified and accessed. It provides information concerning the Company that has relevance for its shareholders, in order to enable them to exercise their rights in full knowledge.

The company makes quarterly reports available to the public, as well as half yearly reports, company and consolidated financial statements. The Shareholders' Meeting, participation at which is encouraged and facilitated, represents for our company a fundamental opportunity for communication between shareholders and the Board of Directors.

The person in charge of Investor Relations is the Group's Chief Financial Officer, Enrico Gomiero.

16. Shareholder Meetings (pursuant to art. 123-bis, (2) (c) TUF)

It should be pointed out that the legislation and regulations relating to shareholders' rights have change significantly through the effects of Italian Legislative Decree No. 27 dated 27 January 2010, which assimilated into Italia Law the EU Directive 2007/36/EC (relating to certain rights of shareholders in listed companies).

On 12 December 2010, the Board of Directors amended the articles of association in order to include the mandatory amendments as required by the aforesaid Italian Legislative Decree 27/2010. The amendments to the articles of association in line with Italian Legislative Decree 27/2010 of an optional nature but deemed appropriate by the Board of Directors, will be submitted to the approval of shareholders at the next Shareholders' Meeting. On this point, one should refer to the Directors' Report which will be made available to the public in accordance with the law.

Pursuant to article 12 of the articles of association: "All shareholders having a right to vote are entitled to intervene at the Shareholders' Meeting, and for which the Company has received the prescribed notification from authorised intermediaries pursuant to current legislation, at least two working days prior to the Shareholders' Meeting."

As it stands the Board is not intending to submit to the Shareholders' Meeting a proposal for regulations since it is of the opinion that the powers assigned to the Chairman of the Meeting by the articles of association – including the running of Shareholders' Meetings – allow him to guarantee an ordered running of the Shareholders' Meetings.

Each shareholder is always assured the right to intervene in the items under discussion. The Board reported to the Shareholders' Meeting on operations carried out and scheduled, by responding to specific questions posed by the shareholders. The Board assured the shareholders adequate information regarding the elements they needed to take the decisions to be made by the Shareholders' Meeting., with full understanding of the situation.

One should note that there were no significant variations to the market capitalisation of the Company, or to the composition of the company's shareholders such as to make it necessary to propose amendments to the articles of association to the Shareholders' Meeting relative to the percentages established for the exercise of the prerogatives protecting minority shareholders. On this point, one should also note that in application of article 144-*quater* of

the Consob Regulations for Issuers no. 11971/1999, for the presentation of lists for the appointment of members of the Board and the Board of Statutory Auditors, articles 21 and 24.1 of the articles of association of the company require that the percentage threshold of 2.5% of share capital with voting rights or the different measure required by the Consob regulations, which will be indicated in the notification of the Shareholders' Meeting.

17. Changes since the closure of the trading period

Since the date of the closure of the trading period there have been no other changes in the corporate governance structure in comparison with those indicated in the specific sections.

TABLES

Table 1: Information on ownership structures**Structure of Share Capital**

| | No. shares | % of share capital | Listed in Borsa Italiana SpA | Rights and obligations |
|-----------------------------------|------------|--------------------|------------------------------|------------------------|
| Ordinary shares | 45,989,800 | 100 | yes | |
| Shares with limited voting rights | 0 | 0 | ----- | |
| Shares with no voting rights | 0 | 0 | ----- | |

*Excluding the treasury shares purchased by the company

**Other financial instruments
(attributing the right to subscribe shares to be issued)**

| | Listed / unlisted (indicate markets) | No. of instruments in circulation | Category of shares serving the conversion/exercise | Number of shares serving the conversion/exercise |
|--------------------|--------------------------------------|-----------------------------------|--|--|
| Convertible bonds: | no | no | no | no |
| Warrant | no | no | no | no |

Significant holdings of share capital

| Holding entity | Direct shareholder | Percentage of ordinary capital | Percentage of voting capital |
|--|--|--------------------------------|------------------------------|
| Mario Carraro | Mario Carraro/Finaid SpA | 62.359 | 64.281 |
| Carraro SpA | Carraro SpA | 2.990 | -- |
| Francesco Carraro | Francesco Carraro | 2.571 | 2.650 |
| Anima SGR SpA | Anima SGR SpA | 2.113 | 2.178 |
| JP Morgan Asset Management Holdings Inc. | JP Morgan Asset Management Holdings Inc. | 2.093 | 2.158 |

Table 2: Composition of the Board of Directors and the Committees

| Board of Directors | | | | | | | | | | | Internal Auditing Committee | | HR & Remun. Committee | |
|---|----------------------|-----------------|-----------------|-------------|--------------|-----------|----------------|------------------------------|-------|-----------------------|-----------------------------|------|-----------------------|------|
| Office | Members | In office since | In office until | List (M/m)* | Exec . | Non-exec. | Indep. by Code | Indep. by TUF | (%)** | Number other posts*** | **** | ** | **** | ** |
| Chairman | Mario Carraro | 23.04.09 | App. FS.2011 | M | X | - | - | - | 100 | - | - | | - | |
| MD | Alexander J. Bossard | 23.04.09 | App. FS.2011 | M | X | - | - | - | 100 | - | - | | - | |
| Deputy Chairman | Enrico Carraro | 23.04.09 | App. FS.2011 | M | X | - | - | - | 100 | - | - | | X | 100 |
| Director | Francesco Carraro | 23.04.09 | App. FS.2011 | M | - | X | - | - | 66.7 | - | - | | - | |
| Director | Tomaso Carraro | 23.04.09 | App. FS.2011 | M | - | X | - | - | 88.9 | - | - | | - | |
| Director | Antonio Cortellazzo | 23.04.09 | App. FS.2011 | M | - | X | X | X | 100 | 13 | X | 100 | X | 100 |
| Director | Anna Maria Artoni | 23.04.09 | App. FS.2011 | M | - | X | X | X | 100 | 9 | X | 71.4 | - | |
| Director | Pietro Guindani | 23.04.09 | App. FS.2011 | M | - | X | X | X | 88.9 | 7 | - | | X | 100 |
| Director | Marco Milani | 23.04.09 | App. FS.2011 | M | - | X | X | X | 77.8 | 2 | - | | X | 85.7 |
| Director | Arnaldo Camuffo | 23.04.09 | App. FS.2011 | M | - | X | X | X | 88.9 | 1 | X | 42.8 | X | 100 |
| No. meetings held during reference trading period: | | <i>BoD:9</i> | | | <i>IAC:7</i> | | | <i>HR & Remun C. : 7</i> | | | | | | |

NOTES

* This column indicates M/m according to whether the member was elected from the majority list (M) or the minority list (m)

** This column indicates the percentage of meetings attended by the directors in relation to the meetings of the Board of Directors and the Committees (no. of presences/no. of meetings during the period the person in question has been in office).

*** This column indicates the number of posts as director or statutory auditor held by the person in question in other companies listed on regulated markets (including foreign), or in financial, banking and insurance companies of significant dimensions. A list of these companies with reference to each director will be attached to this Report, specifying whether the company in which office is held is part of the group to which the Issuer belongs or is head of.

****This column indicates with an "X" that the member of the BoD is part of the Committee.

Table 3: Composition of the Board of Statutory Auditors

| Office | Members | In office since | In office until | List (M/m)* | Independence acc. to Code | ** (%) | Number other posts *** |
|--|-------------------|------------------------|------------------------|--------------------|----------------------------------|---------------|-------------------------------|
| Chairman | Luigi Basso | 23 April 2009 | Approv. FS. 2011 | m | X | 100 | 14 |
| Regular auditor | Saverio Bozzolan | 23 April 2009 | Approv. FS. 2011 | M | X | 100 | 0 |
| Regular auditor | Roberto Saccomani | 23 April 2009 | Approv. FS. 2011 | M | X | 100 | 20 |
| Alternate auditor | Silvano Corbella | 23 April 2009 | Approv. FS. 2011 | m | X | -- | -- |
| Alternate auditor | Marina Manna | 23 April 2009 | Approv. FS. 2011 | M | X | -- | -- |
| Indicate the <i>quorum</i> required for the presentation of lists at the latest appointment: 2.5% | | | | | | | |
| Number of meetings held during the reference trading period: 9 | | | | | | | |

NOTES

* This column indicates M/m according to whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column indicates the percentage of meetings attended by the statutory auditors (no. of presences/no. of meetings held during the period the person in question has been in office).

*** This column indicates the number of posts as director or statutory auditor held by the person in question which may be considered as significant pursuant to art.148-*bis* TUF. The full list of posts is attached, pursuant to art.144-*quinquies decies* of the Consob Regulations for Issuers, to the report on Supervision, prepared by the Statutory Auditors pursuant to article 153 (1) TUF.

ANNEXES:

Annex 1.

Principal characteristics of the existing systems of managing risks and internal control in relation to the process of financial disclosures, including those for consolidation (pursuant to art. 123-bis (2) lett. b) of the TUF)

The risk management activities are an integral part of the internal control system.

The internal control system on financial disclosures is the process aimed at ensuring the objectives that can be identified as the reliability, precision and promptness of the disclosure itself.

The internal control system on financial disclosures adopted by Carraro S.p.A. was coherently defined in accordance with art.154-*bis* of the Consolidated Finance Law (TUF) and follows the “COSO Report” example (“Internal Control – Integrated Framework”, published by the Committee of Sponsoring Organizations of the Treadway Commission), According to this, the internal control system can be defined as a series of mechanisms, procedures and instruments aimed at ensuring that the corporate goals on the effectiveness and efficiency of operations, the reliability of financial disclosures and compliance with current legislation are achieved.

The planning, definition and maintenance of the internal control system are guaranteed through a process of identification and assessment of risks and the identification and assessment of the controls and the information flows.

Carraro S.p.A. adopts administrative and accounting procedures that ensure that the internal control system on financial reporting enjoys an adequate standard of reliability. This system consists mainly of accounting standards, criteria and methods that are common to the whole group, the same accounting and reporting layouts, planning of final accounting and balance sheet preparation which is co-ordinated centrally and has similar control procedures. Due to this series of mechanisms that are governed by rules which are distributed through group instructions or guidelines listed in the "accounting manual", the Parent Company achieves an efficient system of collecting and exchanging data with its subsidiaries and performs the necessary task of co-ordination.

In this way, the control system has been defined so as to ensure the dissemination of the controls at the various levels within the management structure in line with the assigned operational responsibilities and the sustainability of these controls over time, so that their performance is integrated and compatible with operating requirements and the level of available resources.

The approach adopted by Carraro S.p.A. relating to the assessment, monitoring and updating of the internal control system on financial disclosures allows the assessments to be made by

following a structure which concentrates on the areas of greater risk or importance, or on the risks of significant errors within the parts of the financial statement and the disclosure documents that accompany it. For this purpose the procedure is as follows:

- i) identifying the number and nature of the risks of significant error in the elements of financial and economic disclosures;
- ii) analysing the operating processes and the control activities;
- iii) identifying among these the key controls or the most significant ones for mitigating risks, and assessing their efficacy and thoroughness;
- iv) check on the operativity of the controls using specific testing activities.

The risks of error which might have significant effects on the economic and financial disclosures are identified and assessed through a process that identifies, by looking first at the most significant balance sheet items, the management entities, the processes involved with the specific operating activities and the related accounting items generated from them; the controls protecting against the identified risks are identified with the same criteria. According to the methods adopted by Carraro S.p.A., the risks and related controls are therefore associated with the accounts and the corporate processes which are fundamental in the formation of accounting data.

The association and the assessment of the adequacy of the controls, in particular the “key controls”, with the identified risks allow their risk mitigation to be appreciated together with the importance of any residual risk, achieving in this way the objective of limiting the risk of a potentially significant error in the balance sheet.

The existing controls in the group may, on the basis of the best international practices, be identified with the two principal types:

1. controls that operate at a group level or individual subsidiary level such as the assignment of responsibilities, powers and mandates, separation of roles and assignment of rights of access to IT system applications;
2. controls that operate at a process level (or “line” controls) such as for example the issuing of authorisations, the performing of reconciliations, the exercising of controls on accuracy and tests on compliance.

The controls are of an automatic nature where the procedures are more widely automated or carried out directly by the operator or by a supervisor. This category also includes the so-called “transversal” or monitoring controls performed by the Group’s administrative and control management, aimed at identifying and understanding the most significant anomalies. In addition, the controls can also be of a precautionary nature with the aim of preventing the occurrence of errors or anomalies which may cause errors in the financial reporting, or of the detective type with the aim of detecting the errors or anomalies which have occurred.

The checks on the efficacy of the design and effective operativity of the key controls are carried out by the Internal Audit department through testing, using appropriate sample selection techniques.

Where deemed appropriate, the assessment of the controls may lead to the identification of compensatory controls, corrective actions or plans for improvement. The results of the monitoring activities are periodically submitted to the scrutiny of the Senior Manager in charge of preparing the corporate accounts documentation, the Internal Auditing Committee, the executive director with responsibility for the internal control system and the Board of Statutory Auditors of the Parent Company, who in turn report on the matter to the Board of Directors.

Annex 2.

Personal and professional characteristics of the company directors

Mario Carraro

Born in Campodarsego (Pd) in 1929, Mario Carraro studied humanities. At the beginning of the 1960s, on completion of his education, he took over the company founded by his father Giovanni. Together with his brother Oscar, they focused on the production of agricultural tractors and he gave strong impetus to the development of the family's industrial business. The new market orientation in the early years of the 70s led Mario Carraro, now Chairman of Carraro SpA, to implement an important diversification process that led the company to change its core business, passing gradually from the complete vehicle to transmission systems for both on- and off-road vehicles. During the 1980s Mario Carraro initiated the formation of the Carraro Group, which he did via acquisitions and the incorporation of new companies in Italy. In 1995 he led the parent company Carraro SpA to being listed on the stock exchange. At the end of the 90s Mario Carraro initiated a new important phase of development abroad: this was the period when the Group went international. Awarded the *Cavaliere del Lavoro* in 1990, Mario Carraro was Chairman of the Federation of Industry in Veneto from April 1994 to December 1996. In May 2001 the University of Padua granted Mario Carraro an honorary degree in Economics and Commerce, for his "capacity to lead the way of innovation, attaching a greater importance to research, globalisation, the use of modern financial instruments and effective management techniques."

Enrico Carraro

Enrico Carraro was born in Padua on 17 April 1962. In 1985 having completed his studies and military service, Enrico entered the family business. In the last 20 years he has held various key positions in numerous companies of the Carraro group. In June 2007 Enrico Carraro was appointed Executive Deputy Chairman of the Carraro Group. In this role Enrico Carraro was alongside the Chairman in leading the Group, with various powers of legal representation and with specific operational mandates. He also holds the mandate for the New Business Development initiatives, under which he has coordinated the research, evaluation and definition of new businesses, and the relative development programmes over the medium and long term.

Tomaso Carraro

Tomaso Carraro was born in Padua in 1966, he graduated from the University of Chicago in 2000 (MBA). He began his managerial experience in 1994 as the manager of a commercial branch of Carraro Group in the United States (Chicago, Illinois). During the eight years in the United States, the Group's commercial operations grew significantly and the NAFTA area (United States, Canada and Mexico) became the key market. In 1999 he was appointed General Manager of Carraro North America and successfully completed the organisation of the new manufacturing site in Calhoun (Georgia, United States). In 2002 he returned to Italy and was appointed Chief International Officer of the Carraro Group. In 2007 he was appointed Chairman and Managing Director of Gear World, the new leading company of the group already operating in the transmission industry, together with the newly acquired miniGears SpA.

Alexander Josef Bossard

Alexander Bossard, (23 June 1950 – Emmen – CH). After his studies at the University of Applied Sciences (FHBB) in Basle where he graduated in Business Studies in 1973, he started working in the Finance and Control Dept in the Sulzer Group, gaining experience in Paris, Italy and Switzerland. At the start of 1982 he returned to Italy as Administrative Director in De Pretto Escher Wyss in Schio. The areas of responsibility included

administration, information technology and purchasing. In 1988 he was appointed Managing Director of the company. From 1995 to 1998 he was assigned responsibility for North America for the Sulzer International Division in New York, with regard to management and co-ordination of the sales and services organisation in the various production companies in the US, Canada and Mexico, as well as co-ordinating the group's representation with the outside and the activities of the US Holding. From 1999 to 2001 he was Managing Director of *Sulzer Tessile Italia*. At the start of 2002 he entered the miniGears Group in Padua as Managing Director. During these years miniGears has enjoyed strong expansion internationally with the launch of a production plant first in the United States and subsequently with a production unit in China. When the miniGears group was acquired by the Carraro Group in the summer of 2007, he began his collaboration with the Carraro Group, as a Director in Gear World, responsible for acquisition projects and as manager of the Agritalia Business Unit. On 4 August 2009 he became Managing Director of Carraro S.p.A.

Anna Maria Artoni

Anna Maria Artoni (Guastalla (RE), 1967), is deputy chairman of Artoni Group SpA, a family business, leader in the transport and logistics sector. She is deputy chairman of Artoni Trasporti SpA, chairman of Artleasing SpA, as well as chairman of other companies in the Artoni Group. Since April 2008 she has been an independent member of the board of directors of Saipem SpA and is part of the Audit Committee and Compensation Committee. Since April 2006 she has been a member of the board of directors of the *Cassa di Risparmio di Parma e Piacenza (Crédit Agricole Group)*. Since 2005 she has been a part of the investments committee of Credem Private Equity SGR. Since November 2008 she has been part of the Strategic Committee of *21 Investimenti*. Since May 2005 she has been Chairman of *Confindustria Emilia e Romagna*. She has been part of the Executive Committee and Council of *Confindustria* since 2002. Since 1999 she has been part of the Chairman's Committee and Council of the *Associazione Industriali di Reggio Emilia*. Since 1986 she has held various posts in the *Giovani Imprenditori* movement and in April 2002 she was elected chairman of the *Giovani Imprenditori* and Deputy Chairman of *Confindustria*. She is a member of the Executive Council of *Assonime*. In 2002 she was appointed by the Italian Government to be part of the Advisory Board on Technological Innovation. She is a board member of the Università Luiss Guido Carli and is part of the Advisory Board of the Alma Graduate School in Bologna.

Antonio Cortellazzo

Antonio Cortellazzo (born in Este (PD), in 1937) has been a Chartered Accountant since 1967 and Accounts Auditor since the institution of the Register. Having graduated in Economics and Commerce, he has held important professional posts in Italy and overseas. He was a lecturer in professional techniques from 1999 to 2004 at the University of Padua Economics Faculty and at the *Scuola Superiore della Pubblica Amministrazione Locale*. After having held significant corporate posts with Credito Italiano, Banca Cattolica del Veneto, Banco Ambrosiano Veneto, Banca Intesa, and with listed companies such as Grassetto, Safilo and Stefanel, he is currently a member of the Board of Directors or the Board of Statutory Auditors in companies in the North-East including Benetton Group, Fondazione Banca Antonveneta, Fondazione per la Ricerca Biomedica Avanzata, NEM SGR S.p.A. He is a member of the Advisory Board of the Faculty of Economics at the University of Padua.

Marco Milani

Marco Milani, born in Milan in 1954, graduate in Engineering, has been Managing Director of the Indesit Company since 27 July 2004. He entered the Company in 1980 and has held posts with increasing responsibility in the various industrial and commercial sectors in Italy, but especially abroad. In 1998 and up to the acquisition of Stinol in 2000 he was responsible for the CSI market (ex-Soviet Republics) and of the market of other countries in the East with offices in Moscow. When he returned to Italy, he became General Director and in

March 2002 he was appointed Managing Director of Indesit Company UK, the company that was established after the acquisition of GDA-Hotpoint, which Milani fully integrated.

Pietro Guindani

Pietro Guindani has been Chairman of the Board of Directors of Vodafone Italia since July 2008. He graduated in Economics and Business at the Bocconi University in Milan in 1982 and began his professional career at the Italian offices of Citibank N.A. in the Global Corporate Banking area until 1986. From 1986 to 1993 he worked in the chemical sector, firstly as International Finance Director in the Montedison Group and subsequently as Chief Financial Officer of European Vinyls Corporation in Brussels (joint-venture 50-50 between ENI and ICI). In 1993 he took up the post of International Finance Director for the Olivetti Group and in 1995 he entered Vodafone Italia (at the time a subsidiary of the Olivetti Group and known as Omnitel Pronto Italia) where he acted as General Director of Administration, Finance and Control and Chief Financial Officer for the South Europe, Middle East and Africa Region until 2004, before becoming Managing Director of Vodafone Italia and member of the Executive Committee of the Vodafone Group from 2004 to 2008. In Confindustria, from 2004 to 2009 he was Chairman of *Asstel - Assotelecomunicazioni*, the association of telecommunications companies, of which he is still a member in the Executive Council as “past president”. He is Deputy president of *Confindustria Servizi Innovativi e Tecnologici*, as well as a member of the Executive Committee of Confindustria, Unindustria and of the Executive Committee of *Assolombarda*. Currently he holds other corporate posts including that of a member of the Board of Directors of SFR S.A. France, member of the Board of Directors of Sorin SpA, listed on the Milan stock market; he is a member of the Executive Committee of the *Istituto Italiano di Tecnologia di Genova* and President of the Bocconi Alumni Association.

Arnaldo Camuffo

Born in Venice in 1961, he graduated in Business Studies at the Università Ca' Foscari in Venice. In 1990 he was awarded an MBA from the Sloan School of Management at the Massachusetts Institute of Technology and a Research Doctorate in Business Studies at the University of Venice. He was Professor of Business Management at the University of Venice from 1990-2003 and the University of Padua from 2003-2007. He has been management consultant for some of the most important industrial groups in Italy. He has worked with some of the leading training organisations in Italy and Europe. He collaborates with research institutions and professional associations in Italy in subjects relating to organisation and management of human resources. He is a member of the Scientific Committee of AIF and ASFOR. He is Scientific Director of the Lean Enterprise Center of Italy and member of the Board of Directors of the Lean Global Network. He is a Professor of Business Management at the Università L. Bocconi in Milan and Lecturer at the SDA Bocconi. Independent member of the Board of Directors of Autogrill SpA since 2008.