



# Report on Corporate Governance and Ownership Structures

Pursuant to article 123-*bis* of the Consolidated  
Finance Act – TUF  
(traditional administration and control model)

Issued by:  
**Carraro SpA**

Web site  
**[www.carraro.com](http://www.carraro.com)**

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## CONTENTS

	<b>Page</b>
Glossary .....	5
1. Issuer Profile .....	7
2. Information on Ownership structures (pursuant to art. 123 <i>bis</i> , paragraph 1 of the Consolidated Finance Act – TUF) .....	7-10
Structure of share capital	
Restrictions to share transfers	
Significant holdings of share capital	
Shares having special entitlements	
Employee share ownership scheme: exercise of voting rights	
Restrictions to voting rights	
Agreements between shareholders	
Change of control clauses and articles of association provisions concerning take-over bid	
Authorisation to increase the company share capital and authorisation to acquire treasury shares	
Management and co-ordination (pursuant to art. 2498 <i>et seq.</i> Italian Civil Code).	
3. Compliance .....	10
4. Board of Directors	
4.1. Appointment and substitution .....	11
4.2. Composition .....	12
4.3. Role of the Board of Directors .....	13
4.4. Mandated Bodies .....	15
4.5. Other Executive Directors .....	17
4.6. Independent Directors .....	18
4.7. Lead Independent Director .....	18
5. Processing of company information .....	19
6. Committees within the Board .....	20
7. Appointments Committee .....	20
8. Remuneration Committee .....	20
9. Remuneration of Directors .....	22
Director indemnification in the event of resignation, dismissal or termination of employment following a take-over bid	
10. Control and Risk Committee .....	24
11. Internal control and risk management system .....	26
11.1. Director in charge of the internal control and risk management system .....	27
11.2. Head of Internal Audit .....	28
11.3. Management Model pursuant to Legislative Decree 231/2001 .....	29
11.4. Auditing Company .....	29
11.5. Director Responsible for producing the company's accounting documents and other roles and functions .....	30

11.6.Coordination between parties involved in the Internal Control and Risk Management System ..... 30

12. Directors’ Interests and transactions with related parties ..... 30

13. Appointment of Statutory Auditors .....31

14. Composition and operation of the Board of Statutory Auditors .....31

15. Relations with Shareholders ..... 32

16. Shareholders' Meetings ..... 33

17. Changes after closure of the period in question ..... 33

**TABLES**

Tab. 1 : Information on ownership structures ..... 35

Tab. 2 : Composition of the Board of Directors and the Committees .....36

Tab. 3 : Composition of the Board of Statutory Auditors .....37

**ANNEXES**

Annex 1: “Main characteristics of existing risk management and internal control with regard to the financial information process” pursuant to art. 123-*bis*, paragraph 2, letter b) of the Consolidated Finance Act – TUF.....39

Annex 2: Personal and Professional Characteristics of Company Directors ..... 41  
 Personal and Professional Characteristics of Statutory Auditors .....

## **GLOSSARY**

**Code/Code of Conduct:** the Code of Conduct of listed companies approved in December 2011 by the Corporate Governance Committee and endorsed by Borsa Italiana SpA., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Italian Civil Code:** the Italian civil code.

**Board:** the Issuer's Board of Directors

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

**Trading period :** trading period 2013

**Consob Regulations for Issuers:** the Regulations issued by Consob with resolution no. 11971 of 1999 (as amended) regarding issuers.

**Consob Regulations on Markets:** the Regulations issued by Consob with resolution no. 16191 of 2007 (as amended) regarding markets.

**Consob Related Parties Regulations:** the Regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) regarding related party transactions.

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

**Company:** the issuer of transferable securities to which the Report refers.

**Consolidated Finance Act – TUF:** Italian Legislative Decree no. 58 of 24 February 1998.

## **1. Issuer Profile**

Carraro S.p.A. is a leading international group in highly efficient and eco-friendly power transmission systems.

The activities of the Carraro Group, coordinated by Carraro SpA with functions of strategic guidance and control, are divided into three business areas: transmission systems and components (Carraro Drive Tech), special tractors and engineering services (Carraro Agritalia) and power electronics (Elettronica Santerno). Carraro's core business (Carraro Drive Tech) is addressed to a wide range of applications from earth moving machinery to agricultural tractors, from cars to light commercial vehicles, from forklift trucks to stationary applications (such as escalators and cranes). Power electronics is applied in photovoltaic systems and industrial automation (for applications such as industrial cooling, water treatment, lift systems and energy transport).

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, based on the following bodies: General Members' Meeting, board of directors (supported by consulting committees), board of statutory auditors and auditing company (external).

This Report has been prepared in accordance with the directions contained in the Code itself and in accordance with the format, fourth edition of February 2013, issued by Borsa Italiana.

The Corporate Governance Report can be found on the company's Web site: [www.carraro.com](http://www.carraro.com) – Investor Relations – Corporate Governance and is made available to the shareholders together with the documentation provided for the Shareholders' Meeting for approval of the financial statements within the legal deadlines.

## **2. Information on ownership structures as at 12.03.2014 (pursuant to art. 123-*bis* of the Consolidated Finance Act – 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 schemes (stock options, stock grants, etc.) which require share capital increases, also 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 of the Consolidated Finance Act – TUF, shareholders who as of today directly or indirectly possess shareholdings exceeding 2% of share capital with voting rights are shown in the attached Table 1.

**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 for exercising voting rights (*pursuant to art. 123-bis, paragraph 1, letter e) of the Consolidated Finance Act – 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.

With regard to deadlines imposed for exercising voting rights, please refer to Section 16 of this Report.

**g) Shareholder agreements (*pursuant to art. 123-bis, paragraph 1, letter g) of the Consolidated Finance Act – 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, paragraph 1, letter h) of the Consolidated Finance Act – TUF and articles of association provisions concerning take-over bids (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1)*)**

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.

A number of loan agreements entered into by Carraro, Carraro International Sa and other companies of the Carraro Group also contain change of control clauses. In particular, on 14 May 2013, a loan agreement was entered into between Carraro, Carraro International SA and other companies of the Carraro Group, on the one hand, and Banca Monte dei Paschi di Siena SpA, Banco Popolare Società Cooperativa, Banca Popolare Friuladria SpA, Cassa di Risparmio del Veneto SpA and Unicredit SpA, on the other hand, providing for the mandatory early repayment in the event of a change of control. Change of control means (a) with respect to each of the Subsidiaries, a change of control such that Carraro ceases to have direct or indirect control pursuant to Article 2359, first paragraph, points 1) and 2), and second paragraph, of the Italian Civil Code, it being understood that no change in control will be assumed and therefore the “dominant influence” referred to in Article 2359, first paragraph, no. 2) of the Italian Civil Code will be considered applicable, as long as Carraro has the ability to appoint the majority of the members of the administrative body of the relevant Subsidiary; and (b) with reference to Carraro, each time the Carraro family

(including in concert with other persons or under contractual agreements) ceases to hold a sufficient number of shares with voting rights at Carraro ordinary shareholders' meeting enabling it to exercise a dominant influence over such meeting, where "dominant influence" means being able to (i) appoint the majority of members of Carraro administrative body and/or (ii) to approve the financial statements of Carraro.

On 5 September 2013 a loan agreement was entered into between Carraro and Banca Popolare di Ravenna, which provides for the mandatory early repayment in the event of change of control; the lender may, at its sole and absolute discretion and with full autonomy, decide to waive the mandatory early repayment.

With reference to the articles of association provisions concerning take-over bids, it is pointed out that paragraphs three and four of art. 7 of the Articles of Association provide that:

- notwithstanding the provisions of article 104, paragraph 1 of the Consolidated Finance Act – TUF, if the Company's securities are subject to a takeover and/or exchange bid, authorisation of the shareholders' meeting is not required to carry out acts or transactions which may hinder achievement of the objectives of the bid, during the period between the notification pursuant to article 102, paragraph 1 of the Consolidated Finance Act – TUF and closure or revocation of the bid;
- notwithstanding the provisions of article 104, paragraph 1- *bis* of the Consolidated Finance Act – TUF, authorisation of the shareholders' meeting is also not required for implementation of any decisions taken prior to the period indicated in the previous paragraph which have not been yet implemented in whole or in part, which are not part of the normal activities of the Company and implementation of which could hinder the achievement of the objectives of the bid.

**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 from the Shareholders' Meeting to increase share capital pursuant to article 2443 of the Italian Civil Code nor can it issue stockholding financial instruments.

On 19 April 2013 the Shareholders' Meeting of the Company renewed the authorisation, pursuant to and for the purposes of articles. 2357 *et seq.* of the Italian Civil Code and article 132 of the Consolidated Finance Act – TUF, for the purchase of a maximum of 4,598,980 ordinary shares, fully paid-up, having a unit par value of 0.52 euros, equal to 10% of the current subscribed and paid-up share capital, taking into account the treasury shares already held by the Company and its subsidiaries, on one or more occasions and for a period of eighteen months from the date of the resolution.

The ordinary shares shall be bought at a price per ordinary share with a minimum of not less than 30% lower and a maximum of not more than 20% higher than the reference price recorded on the stock exchange on the day prior to each individual transaction. The purchases shall be made within the limits of distributable profits and available reserves resulting from the latest regularly approved financial statements at the time the transaction takes place.

The deeds of sale 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 12 March 2014, 2,623,801 shares representing 5.71% of the share capital of the Company were purchased.



Bearing in mind that the current authorisation will expire on 19 October 2014, the Board passed a resolution to propose a motion to the Shareholders' Meeting, called to approve the 2013 financial statements, to renew the authorisation for the purchase and disposal of treasury shares with the aim of maintaining the necessary operative flexibility over an adequate period of time. For further information please refer to the Directors' Report on the related item on the agenda, which will be made available on the Company's website according to the legal deadlines.

### **l) Management and co-ordination (pursuant to art. 2497 *et seq.* Italian Civil Code).**

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. In this respect, it should be noted that:

- 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 regularly get involved in its operations;
- 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.

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It is pointed out that:

- the information required by article 123-*bis*, paragraph 1, letter i) ("agreements between the company and the directors ... providing for compensation in case of resignation or dismissal without just cause or if their employment ceases due to a takeover bid") are contained in the remuneration report published pursuant to art. 123-*ter* of the Consolidated Finance Act – TUF; and

- the information required by article 123-*bis*, paragraph 1, letter l) ("rules governing the appointment and replacement of directors as well as the amendment of the articles of association, if different from legislative and regulatory rules applicable in alternative") are illustrated in the section of the Report dedicated to the Board of Directors (Section 4.1).

### **3. Compliance (pursuant to art. 123-*bis*, paragraph 2, letter a) of the Consolidated Finance Act – TUF)**

On 18 December 2012 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 Code of Conduct adopted by Carraro SpA can be viewed on Borsa Italiana's website at [www.borsaitaliana.it](http://www.borsaitaliana.it).

Carraro or its subsidiaries of strategic significance are not subject to the provisions of non Italian laws affecting the corporate *Governance* structure of the Company itself.

## **4. Board of Directors**

### **4.1 Appointment and substitution (pursuant to art. 123-bis, paragraph 1, letter l) of the Consolidated Finance Act – 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](http://www.carraro.com) – Investor Relations – Corporate Governance).

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 25 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 Shareholders' Meeting decides that the number of directors should be more than seven, pursuant to art. 147-ter (4) of the Consolidated Finance Act – 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 not having reached a percentage of votes at least equal to half that required by the articles of association for submission of the same are not 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.

If and as long as expressly provided by mandatory provisions of law and / or regulations, the Board of Directors' election system referred to in Article 21 of the Articles of Association must ensure that the less represented gender (male or female) obtains at least one-third ("Full Quota") or, where applicable, one fifth ("Reduced Quota"), of the elected directors. To that end, each list, except for lists containing a number of less than three candidates, shall be composed of a number of candidates of the less represented gender (male and female) such that, where such list is the one obtaining the highest number of votes, a number of directors of the less represented gender is selected from that list equal to at least the Full Quota, or, the Reduced Quota, as applicable.

The list that obtained the highest number of votes or the only list (as appropriate) shall ensure compliance with the Full Quota or, where applicable, the Reduced Quota.

Specifically, if the composition of the Board, as determined on the basis of the progressive numbers assigned to the candidates of the above list and taking also into account the gender (male or female) of the candidate appointed from the list that obtained the second highest number of votes, does not include a sufficient number of members of the under-represented (male or female) gender, the candidates with the lowest progressive number of the over-represented gender (male or female) will automatically be replaced by the candidates of the less represented gender (male or female) having the highest progressive number, until the Full Quota or, where applicable, the Reduced Quota of directors to be elected has been reached.

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 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 replacing 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 Shareholders' Meeting. If the Director leaving office is an independent director, another independent director shall be co-opted. Similarly, if and as long as expressly provided by mandatory provisions of law and / or regulations, the Board shall appoint as substitute candidates of the same gender (male or female) of the outgoing directors, in order to ensure compliance with the Full Quota or, if applicable, the Reduced Quota, of directors of the under-represented gender (male or female). The directors so appointed shall hold office until the next shareholders' meeting, which will be called to confirm them or to appoint additional directors to complete the Board or to reduce the number of directors. The directors so appointed by the Shareholders' meeting shall remain in office until expiration of the directors in office at the time of their appointment.

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 the Shareholders' Meeting 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.

### ***Succession plans***

The Board was appointed by the Ordinary Shareholders' Meeting of 20 April 2012 and has not yet considered the adoption of a succession plan for the Executive Directors.

### **4.2 Composition (pursuant to art. 123-bis, paragraph 2, letter d) of the Consolidated Finance Act – TUF)**

The Board of Directors in office as at the date of preparing this report consists of 9 members appointed by the Shareholders' Meeting on 20 April 2012, 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 2014 period.

There have been no changes to the composition of the Board since the closure of the 2013 period.

The personal and professional characteristics of the directors, including their respective seniority, title and role within the Board, 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**

On 22 February 2013 the Board expressed an opinion regarding the maximum number of directorships (in listed financial, banking, insurance or large companies) which may be considered compatible with an effective performance of the office.

In particular, taking into account: i) the current composition and functioning of the Board; ii) the high level of directors' attendance at Board of Directors' and Committees' meetings; iii) the directors' duties as specified in the Articles of Association and the Code of Conduct, the Board defined as three (3), for the executive directors and seven (7), for the non-executive directors, the maximum number of positions that can be considered compatible with an effective performance of the office as Carraro's director, including the directorship in listed financial and large companies (i.e., with turnover / shareholders' equity of more than 500 million euros). The positions held in companies of the Carraro Group are not included for the purpose of the above limits.

This limit may be waived - in more restrictive or tolerant terms - solely by justified resolution of the Board of Directors and on the basis of considerations concerning the size, organisation and ownership relations between the various companies.

As of the date of appointment of the Board, which took place on 20 April 2012, no specific initiatives were taken to expand the directors' knowledge of the industry in which the Company operates. Nevertheless the intense activity and the content covered within the Committees and the Board ensure a constant update on the business performance and developments and on the regulatory framework.

### **4.3 Role of the Board of Directors (pursuant to art. 123-bis, paragraph 2, letter d) of the Consolidated Finance Act – TUF)**

During the course of the 2013 period, the Board held 8 meetings on the following dates:

<b>22.02.2013</b>	Information on the data for the 2012 financial period from the Chief Executive Officer
<b>14.03.2013</b>	Examination and approval of the Carraro Group consolidated financial statements and the Carraro SpA draft financial statements as at 31 December 2012; proposal for the determination of the Board of Directors' remuneration for 2013;
<b>19.04.2013</b>	program for own share purchase;
<b>03.05.2013</b>	Approval of the Quarterly Report as at 31 March 2013; distribution of BoD remuneration for 2013;
<b>10.06.2013</b>	Project for Italian industrial footprint development;
<b>01.08.2013</b>	Examination and approval of the half-yearly report as at 30 June 2013

**29.10.2013** Examination and approval of the quarterly report as at 30 September 2013;

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**18.12.2013** 2014 budget document;

The Board meetings lasted on average 2 hours. 7 meetings are planned for the year in progress, of which two already 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 of which it is part 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 General Members' Meeting, in accordance with the Code of Conduct.

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:

- examination and approval of industrial, commercial, organisational and financial company and group strategic plans;
- examination and approval of budgets and operations of significant economic and financial importance to the company and the group;
- verification of the adequacy of the company and group general organisation and administration structure;
- assignment and revocation of mandates to the Chairman and Chief Executive Officer and assignment or revocation of special powers of attorney to Company executives;
- after consultation with the appropriate Committee and the Board of Statutory Auditors, determination of the remuneration of the Chairman, Chief Executive Officer and individual members of the Board and its Committees;
- supervision of company and group general performance, periodically comparing the results achieved with those planned, paying particular attention to transactions of greater economic, financial and equity significance;
- annual appraisal of the size, composition and operation of the Board and its Committees;
- definition of the Corporate Governance rules, as well as monitoring of adoption of and compliance with the rules themselves, with reference to the Code of Conduct;
- examination and approval of the guiding principles, operating limits and, more generally, management of the company and group financial risks, as well as controlling compliance with the adopted policies;
- examination of all quarterly, half yearly and annual profit/loss and financial report documents;
- examination and approval of transactions with related parties, in accordance with the procedure described in greater detail in paragraph 12 below, as well as matters in which 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 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.

In February 2014, the Board assessed the adequacy of the organisational, administrative and accounting structure of the Company and the Group, with particular reference to the internal control system and the management of conflicts of interest, according to the procedures adopted for this purpose by the Company. Within the scope of this activity, the Board received the support of the Control and Risk Committee, the Head of Internal Audit and the Director Responsible for producing the company's accounting documents.

The amount and distribution of remuneration received by members of the Board of Directors during 2013 is shown in detail in the Remuneration Report prepared pursuant to art. 123-*ter* of the Consolidated Finance Act – TUF.

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.

The Board has not established general criteria for identifying transactions that have significant strategic, economic or financial importance for the Company.

The Board generally considered 3 days as a reasonable period for sending the Board's documentation in order to allow a timely and complete disclosure to the directors and the statutory auditors.

The Chief Financial Officer and the Company Director of Legal Affairs are usually asked to participate in Board's meetings, the latter as secretary. Depending on the issues on the agenda from time to time and in order to allow the heads of the relevant departments to provide detailed information, the participation of other Company executives is also envisaged.

On 24 February 2014 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.

The Shareholders' 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**

### **Chief Executive Officers**

The Chief Executive Officer, Alexander Josef Bossard, is invested with all the powers of ordinary administration, with the exclusion of any power of extraordinary administration, pursuant to legislation and the articles of association, and of the following powers reserved for the Board of Directors or 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 purchase, sale, exchange, contribution 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 bonds;
- 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 Chief Executive Officer 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 non registered 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, natural and/or legal persons and companies), as well as issue the relative receipts/releases;
- hire and dismiss managers, office staff and factory 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, proceedings before the Court of cassation and 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 factory 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, in case of Company's appointment to that office; declare the company's receivables confirming the existence and extent thereof; accept and reject arrangement with creditors proposals 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, discharges and 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, the Italian public debt offices, customs offices and state and private railway offices, 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, as drawer, bills of exchange drawn on the Company's clients, acknowledge payment of bills of exchange and orders, endorse cheques, drafts and bills of exchange, but in any event to collect and pay them into the Company's current accounts or to protest them, discount bills of exchange issued by the Company's customers with the company as beneficiary and drafts issued by the Company on amounts receivable from its customers;
- receive, make and release deposits, including for security purposes, 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, order payments, sign cheques against the above current accounts, including the use of overdrafts, within the granted overdraft limits, monitor these current accounts and approve the related 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 executives, middle managers or office staff in the company or to third parties, provided that the delegated powers do not give rise to the appointment of managing officers as per articles 2203 *et seq* of the Italian Civil Code.

Moreover, the following values apply to the powers of ordinary administration attributed to the Chief Executive Officer:

- settling, defining and reconciling proceedings and disputes (including arbitrations) for an amount not exceeding, per individual dispute, Euro 1,000,000 (one million);
- negotiating, entering into, amending and/or terminating:



- agreements for the purchase of machinery, plant, equipment and/or vehicles of an amount no greater than Euro 1,000,000 (one million) per individual agreement;
- consulting contracts where the amount does not exceed Euro 250,000 (two hundred and fifty thousand) per contract;
- any other agreement that stipulates obligations for the Company of amounts no greater than Euro 1,000,000 (one million) per individual agreement, with the exception of agreements for the supply of goods to the company's customers, for which the aforesaid limit shall not apply.

The Chief Executive Officer did not take on any position as director of another issuer nor is he part of the same group in which a Carraro's director is the Chief Executive Officer.

### **Chairman of the Board of Directors**

To the Chairman Enrico 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 profit and loss and financial budget.

The authority held by the Chairman is justified by the preservation of continuity, as ensured by the controlling shareholder, in management objectives and to ensure the strategic vision of the Company and the Group; in practice, the Chairman performs the role of co-ordination and strategic planning while the executive management of the Company and the Group lies with the Chief Executive Officer. Accordingly, the comment in the Code of Conduct under point 2.P.4, which suggests avoiding concentration of different company roles on one single person, is deemed as complied with.

### **Information provided to the Board**

During the 2013 trading period, the Chief Executive Officer 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**

The Board has appointed Tomaso 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 Shareholders' or Board of Directors' meetings; more specifically, he was assigned the role of co-ordination of Group operations and the following powers to be exercised by separate signing authority:

- representing the Company in the OGMs of subsidiaries;
- issuing directives to subsidiary companies, to the related company bodies and to the management to ensure the unitary direction and co-ordination of the group in the implementation of the strategies defined by the Board of Directors and the management decisions taken by the Chairman and/or the Chief Executive Officer;

Tomaso Carraro is the Chairman and/or the Chief Executive Officer of several strategically relevant subsidiaries.

#### **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.

Among non-executive directors, pursuant to the Code of Conduct and taking into consideration the information supplied by each director, Arnaldo Camuffo, Antonio Cortellazzo, Gabriele Del Torchio, Marina Pittini e Marco Reboa are independent directors elected by the Shareholders' Meeting of 20 April 2012; they confirmed that they meet the requirements provided for in the Code of Conduct to be qualified as independent directors and the independence requirements set forth in art. 148, paragraph 3 of the Consolidated Finance Act – TUF and undertook to remain independent throughout the term of office and to resign where necessary.

At the meeting held on 24 February 2014, the Board made an appraisal regarding compliance with 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.

The Board of Statutory Auditors, in its meeting of 24 February 2014, as part of its assigned tasks, verified application of the assessment criteria and procedures adopted by the Board to assess the independence of its members.

During 2013 the independent directors met once in the absence of the other directors, on 18 December 2013.

#### **4.7. Lead Independent Director**

On 18 December 2012, considering that the conditions required by the Code were met, the Board appointed Arnaldo Camuffo as Lead Independent Director.

The Lead Independent Director is a point of reference and coordination for the needs and contributions of non-executive directors and, in particular, of those who, according to the Code rules, are considered as independent directors. He/she cooperates with the Chairman to ensure that the directors receive timely and comprehensive information flows.

#### **5. Processing of company information**

On 3 May 2012, the Board adopted a new procedure for the internal management and public disclosure of confidential information, with specific reference to inside information.

This procedure sets rules of conduct aimed at all employees and collaborators to ensure confidentiality of the information acquired in any capacity in the ordinary course of business ("Confidential Information") and some additional requirements on individuals who, due to their position, may acquire particularly sensitive information ("inside information"). It also contains rules for the establishment and maintenance of a register of persons with access to inside or potentially inside information, specifying the different sections that make up the Register and the rules for its application, the tasks and roles of the persons responsible for managing such information, making reference to the rules governing the disclosure of "price sensitive" information and the procedures that the persons in charge have to adopt for the processing and publication of such information.

With respect to any information acquired by virtue of his/her duties, each recipient has to ensure the confidentiality thereof; he/she is also required to comply with the rules of conduct set forth in the Procedure, the existing laws on the matter, the rules of conduct referred to in the

Carraro Group's Code Ethics and the Organisational Model pursuant to Legislative Decree 231/2001, for companies in the Group that have decided to adopt it.

## **6. Committees within the Board (pursuant to art. 123-bis, paragraph 2), letter d) of the Consolidated Finance Act – TUF)**

On 20 April 2012 the Board passed a resolution constituting the following Committees:

- Control and Risk Committee;
- Appointments, Human Resources and Remuneration Committee;

The Appointments, Human Resources and Remuneration Committee was assigned, *inter alia*, the functions of the appointments and remuneration committees as envisaged in the Italian Civil Code.

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

## **7. Appointments Committee**

The Appointments, Human Resources and Remuneration Committee was assigned by the Board the functions of the appointments and remuneration committees as envisaged in the Italian Civil Code.

For information on the composition and operation, please refer to the next section.

## **8. Appointments, Human Resources and Remuneration Committee**

On 20 April 2012 the Board of Directors established within the Board an Appointments, Human Resources and Remuneration Committee which replaced the previous Human Resources and Remuneration Committee.

### ***Composition and functioning of the Appointments, Human Resources and Remuneration Committee***

The Appointments, Human Resources and Remuneration Committee is composed of three independent directors (Arnaldo Camuffo, Antonio Cortellazzo, and Marina Pittini) and one executive director (Enrico Carraro). The Chairman of the Appointments, Human Resources and Remuneration Committee is Arnaldo Camuffo.

The current composition is in line with the recommendation of the Code which provides that members of the Remuneration Committee should be non-executive directors, the majority of whom should be independent directors and at least one of them should have adequate experience on financial and remuneration matters. Conversely, the Committee has among its members one executive Director due to the need to ensure integration of the recommendations of the Committee itself with the company evolution as regards the management and human resources organisation and development plans.

In 2013, the Committee met 6 times; the meetings lasted on average 2 hours and dealt with, *inter alia*: the formulation of proposals relating to the remuneration of Directors who have been delegated special powers by the Board and other directors who hold special offices; the assessment of the Executive Directors' targets for 2013; evaluation of the criteria adopted for the remuneration of managers with strategic responsibilities and especially the variable MBO incentive system for 2014; evaluation of the Leadership Model and the Performance

Management of the Carraro Group; the drafting and the proposal to the Board of Directors of the Remuneration Policy.

The committee meetings were also attended, on a case by case basis, at the invitation of the Committee and on individual agenda items, by (i) the Chairman of the Board of Statutory Auditors, or another statutory auditor designated by the latter (ii) the Chief Executive Officer, (iii) the Company Director of Legal Affairs as Secretary, (iv) other executives or functional/departmental managers of the Company involved on a case by case basis or interested parties with regard to the topics addressed and (v) external consultants.

When, during the meetings held in the trading period 2013, the Committee voted on the proposal to the Board of Directors for the remuneration of CEOs and other directors with special duties, the Chairman, Enrico Carraro, did not participate.

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The Committee's work is coordinated by the Chairman, Arnaldo Camuffo, who is assisted in organising the committee's meetings by the necessary company functions on a case by case basis. The committees' meetings are minuted.

Committee members are entitled to access information and company functions necessary for the performance of their duties and - whenever deemed necessary - may use external consultants.

Although the Board has not approved a specific budget, the Committee has access to the financial resources necessary on a case by case basis to carry out its tasks.

### ***Functions of the Appointments, Human Resources and Remuneration Committee***

On 5 May 2012 the Board approved the new Regulations of the Appointments, Human Resources and Remuneration Committee, which governs its tasks, 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, according to the issues which shall be discussed on a case by case basis. If the Committee is called upon to carry out the tasks entrusted to it by the Code of Conduct, it is provided that only the independent directors shall participate.

In addition to the functions respectively provided by the Code of Conduct for the appointments committee and the remuneration committee, the Committee has been attributed with those provided for by the new Procedure for Transactions with Related Parties adopted by the Board on 3 May 2012, when relating to the allocation of or increase in remuneration and economic benefits, and the other tasks related to the evaluation and formulation of proposals and recommendations concerning the management and human resources organisation and development plans.

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 to make proposals and provide advice with regard to (i) methods for assessing the quality of individual performance and the company

leadership model, based on proposals from the Chief Executive Officer; (ii) assessing the quality of the Chief Executive Officer, the Managers with strategic responsibilities and the candidates for such positions, the identification of personnel development paths and retention strategies; (iii) assessment of the organisational structure regarding business strategies and procedures for succession; (iv) based on information provided by the Chief Executive Officer, the sharing of ideas on macro-dynamics in workforces and labour costs and policies of diversity management, where applicable.

## **9. Remuneration of Directors**

### ***General remuneration policy***

On April 2013, the ordinary Shareholders' Meeting approved, at the proposal of the Board, the text of the remuneration policy which, pursuant to (i) Article 6 of the Code, (ii) Article 123-ter of the Consolidated Finance Act – TUF (iii) the implementing provisions issued by Consob with resolution no. 18049 of 23 December 2011 and (iv) the Procedure for Related Party Transactions, defines the criteria and guidelines for the remuneration of members of the Board of Directors itself and of the managers with strategic responsibilities in the Company.

New remuneration policies and programs which the Carraro Group has adopted for Executive Directors and Managers with strategic responsibilities (individually the "Manager" or collectively the "Management" are essentially compliant with the principles provided for by the Code and consistent with its purposes, though with certain minor differences in certain mechanisms necessary to comply with practices, commitments and expectations consolidated in the Management.

For completeness of information, with reference to the guidelines and criteria used in its preparation, please refer to articles 1, 2, 3 and 5 of the Remuneration Policy which forms the first section of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Finance Act – TUF.

### ***Share-based remuneration plans***

Currently there are no share-based remuneration plans.

### ***Remuneration of Executive Directors and Managers with strategic responsibilities***

Remuneration of Executive Directors and Managers with strategic responsibilities comprises a fixed and a variable component. A significant part of remuneration - to differing extents depending on the specifics of roles and responsibilities - is linked to achieving specific performance targets.

Detailed information on the remuneration of Directors and Managers with strategic responsibilities is provided in articles 2 and 3 of the Remuneration Policy.

### ***Incentive mechanisms for internal auditors and the director responsible for producing the company's accounting documents.***

Regarding identification of the objectives for the CFO ("Chief Financial Officer") who is responsible for preparing accounting documents among other things, the Company believes that, to best guarantee their equilibrium and impartiality, they must not be connected to company results objectives and economic results achieved by the Company, but rather to

individual objectives correlated with the specific activity.

The Internal Audit function manager, receives a fixed component while, in terms of the variable component, participation in the Annual MBO plan is included when individual objectives are met/exceeded which cannot be an economic/financial type (for example, but not limited to: turnover, EBIT, EBITDA and net financial position).

### ***Remuneration of Non-executive Directors***

Remuneration of non-executive Directors is established as a fixed amount and is therefore not linked to any extent whatsoever with the economic results of the Company. If entrusted with Special Duties, the same receive a fixed amount, in addition to the remuneration foreseen for Directors, the determination of which takes place according to the mechanisms provided for in the Remuneration Policy (see art. 2.1).

### ***Director indemnification in the event of resignation, dismissal or termination of employment following a take-over bid (pursuant to art 123-bis, paragraph 1, letter i) of the Consolidated Finance Act – TUF)***

It should be pointed out that there is an agreement between the Company and the Chief Executive Officer which provides for payment of an indemnity of one year's fixed remuneration in case of dismissal without just cause.

For further details see Article 5 of the Remuneration Policy which is referred to in full here.

## **10. Internal Audit and Risk Committee**

On 20 April 2012 the Board, in compliance with the provisions of the Code of Conduct (2011 version), formed an Internal Audit and Risk Committee within the Board. The Committee is composed of four non-executive and independent directors namely Arnaldo Camuffo and Antonio Cortellazzo, Marina Pittini and Marco Reboa. The Chairman of the Committee is Antonio Cortellazzo. The current composition is in line with the recommendation of the Code which requires that the members of the Internal Audit and Risk Committee be non-executive directors, the majority of which independent and at least one with adequate accounting and financial experience.

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

- 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 Director Responsible for producing the company's accounting documents and after consultation with the independent auditors and board of statutory auditors;
- expressing opinions on specific aspects related to identification of the main company risks;
- examining periodic reports dealing with the assessment of the internal audit and risk management system, and those of particular relevance prepared by the Internal Audit function;
- monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit function;

- reporting to the Board at least half-yearly, at the time of approval of the half-yearly and annual financial statements, on the activities carried out as well as the adequacy of the internal audit and risk management system;

The Committee has the right to ask the Internal Audit function to perform audits on specific operating areas, notifying the chairman and board of statutory auditors of such at the same time;

The Internal Audit and Risk Committee met regularly to deal with issues of an institutional nature and to examine the audit processes for organisational and control systems, aimed at alignment to the new corporate governance and risk management standards, for a total of seven sessions during 2013. All or the majority of its members, Board of Statutory Auditors (upon express invitation of the Committee and without limitations in relation to the agenda points), Manager of the Internal Audit Function, and Chief Executive Officer in the capacity of executive director in charge of internal control were always present at the meetings. Other executives or department/office heads in the company also attended the meetings on a case by case basis when interested or directly involved in issues being discussed, such as the Chief Financial Officer (including in his capacity 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. Minutes of the meetings were duly taken and they lasted an average of 2 hours.

The percentage of meetings attended by the various members of the current committee is shown below:

<b>MEMBER</b>	<b>POSITION</b>	<b>% ATTENDANCE</b>
A. Cortellazzo	Chairman	100%
A. Camuffo	member	86%
M. Reboa	member	71%
M. Pittini	member	100%

Seven meetings are scheduled for 2014, two were held in the first two months of the year.

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 organisational nature:

- Organisation, management and control Model pursuant to Italian Legislative Decree 231/2001 (the "Model");
- management and evolution of the Carraro S.p.A. Model;
- management and evolution of the Management Models adopted by Carraro S.p.A. Italian subsidiaries;
- performance of the audit activity of procedures that monitor the key corporate cycles (so-called "program 262": update of the assessment of internal controls and test program for the year in progress;
- examination of the 2013 Audit Plan;
- progress of the 2013 Audit Plan;
- project status of the new information system.

b) Issues of an institutional nature:

- aspects emerging from the review of the annual statutory and consolidated financial statements as at 31.12.2012 during the specific meeting with the auditing company and Board of Statutory Auditors;
- examination of the Letter of suggestions emerging from the review of the annual statutory and consolidated financial statements as at 31.12.2012 during the specific meeting with the auditing company and Board of Statutory Auditors and consequential action plan;
- aspects emerging from the review of the half yearly consolidated financial statements as at 30.06.2013 during the specific meeting with the auditing company and Board of Statutory Auditors;
- examination of the review plan of the statutory and consolidated financial statements as at 31.12.2013 during the specific year end meeting with the auditing company and Board of Statutory Auditors;

c) Other issues:

- Examination of the impairment test performed by the company for the financial statements as at 31.12.2012 applying the current accounting standards;
- Examination of the draft of the 2013 Report on Corporate Governance;

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 continuously monitored management activities of the company's Management Model as indicated by Italian Legislative Decree 231/2001, on the basis of information obtained from the Supervisory Board on verifications carried out and the results thereof; particular attention was paid to the training process of recipients of the new Model version and flow of information to the SB.;

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

The Audit 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 2013, the Internal Audit function updated the information gathered on the procedures, carried out testing and amended the corrective plans aimed at improving the processes.

**c) Audit plans and activities.**

The Committee examined the Audit Reports, the results and corrective actions resulting from the audit activity performed by the Internal Audit function;

**d) Other information from Management.**

The Committee gathers and examined various information from Company Management particularly for the transition plan to the new IT systems, financial risks, organisational aspects, evolution of markets and the business of the company and Group.



## **11. Internal audit and risk management system**

With the support of the Internal Audit and Risk Committee, the Board defines 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.

The internal audit and risk management system has the aim of ensuring:

- a) the adequacy of the company processes in terms of efficiency and efficacy;
- b) the reliability of financial information;
- c) the protection of the company's value;
- d) compliance with external laws, the articles of association and internal procedures.

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 Audit and Risk 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.

The Board of Directors has identified the priority intervention areas for the purposes of managing the Group's risks in terms of internal operating risks for key business cycles and risks regarding the main crimes indicated in Italian Legislative Decree 231/2001. The internal control system structure consistently follows this direction. Monitoring is active for strategic and financial types of risks as well.

Therefore the Board proposes progressively broadening these areas to also include all other types of detectable risks both internal and external which may have a possible impact in strategic objectives.

The structure of the internal audit and risk management system is basically organised as follows:

- a) internal operating risks:
  - reliability of financial information, referred to purchasing, sales, stock management, investments, human resources, treasury, accounting/reporting and data consolidation corporate cycles;
  - the protection of the company's assets and data, in terms of the asset management and information technology area procedures;
- b) risks of crimes as per Italian Legislative Decree 231/2001 referred to risks and control related to crimes against the government, corporate crimes and market abuse, regarding occupational and environmental safety, money laundering, cyber and organised crime, counterfeited trademarks and patents, copyright violation and against industry and trade;
- c) strategic risks with analysis of raw material and component procurement markets, monitoring of the performance of key customers who operate in outlet markets and consequent definition of commercial and industrial plans;
- d) financial risks with monitoring of the trend of reference markets and adoption of specific operating procedures, according to the guidelines established by the Board of Directors, particularly related to foreign exchange and interest rate risks;
- e) specific risks with adequate insurance coverage.

In terms of the main characteristics of existing risk management and internal control systems with regard to the financial information, also consolidated, process, see the brief

description, pursuant to art. 123-*bis*, paragraph 2, letter b) of the Consolidated Finance Act – TUF, Annex 1.

During the year the Internal Audit and Risk Committee reported regularly to the Board on the work of the Committee, on the results of the audits carried out and on the functioning of the internal control system, pointing out that, the trend including compared to the results emerging from audits carried out during the previous year. The adequacy of the internal audit and risk management system is assessed by the Board using the analyses and assessment regularly performed by the Internal Audit and Risk Committee and taking into account the information provided by the supervisory Board on Management Model 231.

Assessment of the internal audit and risk management system shows an acceptable level of overall adequacy in protecting against the key risks arising from the Group's activities.

### **11.1 Executive director in charge of the Internal Audit and Risk Management System**

The position of Executive director in charge of the internal audit and risk management system has been granted to the Chief Executive Officer Alexander Bossard by the Board of Directors in its 20 April 2012 meeting.

As such, the Executive director in charge of the internal audit and risk management system performs the following duties:

- a) identifying the key corporate risk areas, in consideration of the features of operations carried out by the issuer and its subsidiaries, and subjecting them periodically to the scrutiny of the Board of Directors;
- b) putting into effect the strategies defined by the Board of Directors, handling the planning, creating and managing the internal audit and risk management system and constantly checking on its adequacy, efficacy and efficiency;
- c) take care of amending the system to the operating conditions and the legislative and regulatory panorama;
- d) report any problems or criticalities immediately to the internal audit and risk committee (or board of directors) in carrying out his activities or which he learns of, so that the committee (or board) can undertake appropriate initiatives.

He also has the power to ask the Internal Audit function to perform audits on specific operating areas and on compliance with the internal rules and procedures in the performance of company operations, promptly reporting this to the Chairman of the Board of Directors, Chairman of the Internal Audit and Risk Committee and Chairman of the Board of Statutory Auditors;

### **11.2. Internal Audit function manager**

Cristiano Dal Checco has been appointed as Internal Audit function manager by the Board of Directors, based on a proposal of the executive director responsible for supervising the working of the internal control system with a favourable opinion from the Internal Audit and Risk Committee and subject to consultation with the Board of Statutory Auditors. The Board of Directors also established his remuneration and has ensured that he possesses adequate resources for the function to perform, again subject to consultation with the Internal Audit and Risk Committee.

The Internal Audit function manager:

- had direct access to all information necessary for carrying out his task

- reported his work to the Internal Audit and Risk Committee and the Board of Statutory Auditors
- also reported his work to the executive director responsible for supervising the working of the internal audit and risk management system.

The person in charge of internal control also had adequate resources available for performing the assigned function through the use of resources allocated to the Internal Audit function whose total budget for 2013 amounted to 250,000 Euros, as well as the resources of his structure composed of three people.

The Internal Audit function manager is a subject inside the issuer and is not responsible for any operational area and does not report to any manager of operational areas.

The main activities carried out during the year by the Internal Audit function manager were development of activities related to the topics addressed by the Internal Audit and Risk Committee (see par. 10 above).

### **11.3 Management Model pursuant to 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.

The Board of Directors subsequently approved:

- on 16 December 2008 the updated version of the Model, 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 handling of stolen goods (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.
- on 1 August 2012 a new updated version of the Model with the inclusion of offences introduced by Italian Legislative Decree 231/2001 in 2009 and 2011: offences against industry and commerce, copyright violation and counterfeited trademarks and patents, crimes of association and environmental offences.

As for the types of offences for which liability of entities is provided for, the following cases have been considered in the current Carraro SpA Management Model:

- offences against Public Administration,
- corporate and market abuse offences,
- cyber crime offences,
- offences related to health and safety in the workplace,
- offences regarding handling of stolen goods, money laundering and use of money or goods and benefits of illicit origin

- organised crime offences,
- offences regarding counterfeiting of trademarks and patents;
- offences against industry and commerce;
- offences of copyright violation;
- offences regarding persuasion towards not making statements to the judicial authorities or providing them with false statements;
- environmental crimes.

The key Italian subsidiaries of Carraro S.p.A. also updated their Management Model 231 in 2012 in relation to the same types of offences and if applicable to their business sectors.

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 Audit 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](http://www.carraro.com) – Investor Relations section – 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 shareholders' meeting resolution passed on 15 May 2007, the Company assigned auditing to PricewaterhouseCoopers S.p.A. for auditing of the financial statements relating to the nine-year period 2007/2015, as prescribed by Italian Legislative Decree No. 303/06.

#### **11.5. Director responsible for producing the company's accounting documents and other company positions and functions**

On 26 June 2007 the Board of Directors appointed Chief Financial Officer Enrico Gomiero as the Director Responsible for producing the accounting and corporate documents. 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, 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. Subject, nevertheless, to the possibility of the Director Responsible for producing the company's accounting documents to take any action required by urgent and contingent situations which go beyond the approved budget, with the requirement of immediate disclosure to the Board at its earliest 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.

Other company positions and functions with specific duties in terms of internal audit and risk management are:

- the Board of Directors, which performs a guidance and assessment role on the adequacy of the System;
- the Director in charge of the internal audit and risk management system is the Company's Chief Executive Officer;
- the Internal Audit and Risks Committee, with the task of supporting the assessments and decision of the Board related to the risk management and internal audit system;
- company functions assigned with so-called "second level" controls, aimed at ensuring monitoring and management of company risks;
- the internal audit function manager, as "third level" control, assigned for verifying that the internal audit and risk management system is adequate and operational;
- the Board of Statutory Auditors, which monitors the efficiency of the internal audit and risk management system.

#### **11.6. Coordination between the subjects involved in the internal audit and risk management system**

The coordination of subjects involved in the internal audit and risk management system is guaranteed by the distribution of duties between the various subjects, as described in the previous points, and by the method adopted for exchanging and sharing information. It is customary for the members of the Board of Statutory Auditors, Executive director in charge of the internal audit and risk management system, Director responsible for producing the company's accounting documents, Manager of the Internal Audit function and Supervisory Board to attend the meetings of the Internal Audit and Risk Committee. The Chairman of the Internal Audit and Risk Committee is in charge of continuously sending a comprehensive information flow to the Board of Directors related to risk management and internal audits.

#### **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](http://www.carraro.com) – Investor Relations section – Corporate Governance, was unanimously approved by the Company's Board of Directors on 3 May 2012, following the favourable opinion expressed unanimously by the Internal Audit and Risk 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 Audit and Risk Committee, except when the

resolutions concern remuneration for which the Appointments Committee, 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.

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 legitimate presentation of lists, the provisions in the Consolidated Finance Act – TUF, the Consob Issuer Regulations 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.

If and until expressly required by mandatory laws and/or regulations, each list, with the exception of lists containing a number of candidates less than three, shall be composed by a number of candidates belonging to the less represented gender (male or female) so that, where such list is the list that obtained the higher number of votes, that a number of Auditors are taken from it of the less represented gender at least equal to the Full Quota or, Reduced Quota (as defined in article 4.1 above), where applicable.

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 auditor having obtained the highest number of votes in the second list.

#### **14. Composition and operation of the Board of Statutory Auditors (pursuant to art. 123-bis, paragraph 2, letter d) of the Consolidated Finance Act – 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 39/2010 transposing Directive 2006/43/EC on statutory audit of annual accounts, which came into force on 7 April 2010, attributed to the Board of Statutory Auditors the role of Internal Auditing Committee with the task of overseeing the financial reporting process, the effectiveness of internal control, internal audit and risk management systems, the statutory audit of annual and consolidated accounts and independence of the auditing company, in particular as regards the provision of non-auditing services to the entity subject to the statutory audit of its accounts.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 20 April 2012 and finishes its term of office at the Shareholders' Meeting for the approval of the 2014 financial statements. All of the members of the Board were elected from the Majority list.

The personal and professional characteristics of statutory auditors are provided in the documentation attached to this Report.

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 2013 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 Audit and Risk Committee takes place through the systematic participation of the Board of Statutory Auditors at the meetings of the Committee.

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 meetings of the Board of Statutory Auditors during the year were 14 in total with an average duration of 2 hours, of which 7 jointly with the Internal Audit and Risk Committee.

During 2014 the Board schedules 10 meetings, 3 of which already held. At its meeting on 24 February 2014, the Board conducted its own verification of the presence of the independence requirements of directors, the persistence of independence requirements of the statutory auditors themselves. The Board also verified the independence of the auditing company, in compliance with the laws and regulations on the subject, as well as the nature and extent of services rendered, other than the statutory audit of the accounts of the company and its subsidiaries, by the auditing company itself and by entities belonging to its network.

\*\*\*

As of the date of the appointment of the Board, on 20 April 2012, no specific initiatives have been adopted to expand the auditors' knowledge of the sector in which the Company works. The attendance of the Chairman of the Board of Statutory Auditors and/or Auditors at the meetings of Committees and Boards is believed to ensure a constant updating on the company dynamics and their evolution, as well as the reference regulatory scenario.

#### **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 website has an "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. Constitution of a corporate structure for managing relations with shareholders was not evaluated.

## **16. Shareholders' Meetings (pursuant to art. 123-bis, paragraph 2, letter c) of the Consolidated Finance Act – TUF)**

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 shareholders adequate information regarding the elements required to take decisions under the responsibility of the Shareholders' Meeting, with full understanding of the situation.

It should be noted 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 30 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 after closure of the period in question**

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**

<b>Structure of Share Capital</b>				
	No. shares	% compared to the 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 (indicate markets) / unlisted	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**

Declarant	Direct shareholders	Percentage of ordinary capital	Percentage of voting capital
Carraro Mario	Mario Carraro/Finaid SpA	62.359	66.132
Carraro SpA	Carraro SpA	5.705	--
Carraro Francesco	Carraro Francesco	2.174	2.306

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

Board of Directors											Internal Audit and Risk Committee		Appointments Committee HR & Remun	
Office	Members	In office as of	In office until	List (M/m) *	Exec.	Non-exec.	Indep. by Code	Indep. by TUF	(%) **	Number other posts ***	****	**	****	**
Chairman	Enrico Carraro	20.04.12	App. FS.2014	M	X				100				X	100
MD	Alexander J. Bossard	20.04.12	App. FS.2014	M	X				100					
Director	Francesco Carraro	20.04.12	App. FS.2014	M		X			75					
Director	Tomaso Carraro	20.04.12	App. FS.2014	M	X				87.5					
Director	Antonio Cortellazzo	20.04.12	App. FS.2014	M		X	X	X	100	3	X	100	X	100
Director	Arnaldo Camuffo	20.04.12	App. FS.2014	M		X	X	X	100	2	X	86	X	100
Director	Gabriele Del Torchio	20.04.12	App. FS.2014	M		X	X	X	37.5	2				
Director	Marina Pittini	20.04.12	App. FS.2014	M		X	X	X	100			100	X	100
Director	Marco Reboa	20.04.12	App. FS.2014	M		X	X	X	100	5	X	71		
<b>No. meetings held during reference trading period:</b>		BoD:8			CCRI :7			HR & Remun C.:6						

**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	Roberto Saccomani	20 April 2012	Approv. FS. 2014	M	X	100	13
Regular auditor	Saverio Bozzolan	20 April 2012	Approv. FS. 2014	M	X	100	0
Regular Auditor	Marina Manna	20 April 2012	Approv. FS. 2014	M	X	86	12
Alternate auditor	Barbara Cantoni	20 April 2012	Approv. FS. 2014	M	X	--	--
Alternate auditor	Stefania Centorbi	20 April 2012	Approv. FS. 2014	M	X	--	--
<b>Indicate the quorum required for the presentation of lists at the latest appointment: 2.5%</b>							
<b>Number of meetings held during the reference trading period: 14</b>							

**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 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* of the Consolidated Finance Act – 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 defined in accordance with art.154-*bis* of the Consolidated Finance Act - TUF and inspired by the "COSO Report" ("Internal Control – Integrated Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission), according to which, 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 financial statements 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 statements 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 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 investigative 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 Director Responsible for producing the company's accounting documents, 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**

#### **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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer of Sulzer Tessile Italia. At the start of 2002 he entered the miniGears Group in Padua as Chief Executive Officer. 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. As of 4 August 2009 he took on the role of Chief Executive Officer of Carraro SpA.



### **Arnaldo Camuffo**

Born in Venice in 1961, he graduated in Business Studies at the Ca' Foscari University in Venice. In 1990 he obtained his MBA at the Sloan School of Management of the Massachusetts Institute of Technology and a PhD in Business Economics 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 Professor of Business Administration at the L. Bocconi University of Milan and lecturer at the SDA Bocconi where he is also Director of the PhD Program in Business Administration and Management. Independent member of the Board of Directors of Autogrill SpA since 2008.

### **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.

### **Gabriele Del Torchio**

He was born in 1951 in Caravate (Varese), and graduated in Economics and Banking at the Università Cattolica del Sacro Cuore in Milan. He began his career with Banca Commerciale Italiana and in 1975 joined Sperry New Holland S.p.a., a world leader in agricultural equipment, where he held different positions until becoming Chairman and Chief Executive Officer of Ford New Holland S.p.a. In 1990 he became Chief Executive Officer, and later Chairman of Fai Komatsu S.p.a., a European leader in the construction machinery sector. Between 1998 and 2000 he was Chief Executive Officer of CIFA S.p.a., a company active in the concrete equipment industry. Starting in 2000 he held the office of Chairman and Chief Executive Officer at APS S.p.a., Multiutility di Padova (energy, mobility, environment and telecommunications). From 2003 to 2005 he was Chief Executive Officer of the Carraro Group, a world leader in the industry of systems and components for power transmission.

He was the Chief Executive Officer from 2005 to 2007 at the Ferretti Group, a world leader in the luxury motor yacht industry. In May 2007 he became Chief Executive Officer at Ducati Motor Holding spa, the most famous brand of racing motorcycles in the world, he also held the office of Chairman at Ducati from January 2009 to July 2012. From April 2010 to January 2012 he was a Director of the Permasteelisa company. In April 2011 he was appointed Director of the SNAI Company. In July 2012, following AUDI AG's acquisition of Ducati Motor Holding Spa, he was reconfirmed as Director at Ducati. He was also appointed as Director of Automobili Lamborghini Spa. Since May 2013 he has held the position of Chief Executive Officer at Alitalia – Compagnia Aerea Italiana.

### **Marina Pittini**

She graduated from Ca' Foscari in 1992 in Business with specialisation in law, she worked briefly in auditing at KPMG in Milan from 1992 to 1994, in manufacturing and banking companies; in 1995 she joined her family's business Ferriere Nord Spa. Here she followed an internal growth program which led her from the accounting office to company I.C.T., later working with credit management and granting of credit facilities to customers. She also gained experience with the company treasury and the financial part of the Pittini Group, where she now holds the office of director in many of the subsidiaries. She also followed the founding of the in-house school for constant training of all Pittini Group employees. She currently is the head of the Group's finance and credit risk management. She was a director of Extranbanca and is currently a Board Member of Fondazione Banca Antonveneta.

### **Marco Reboa**

He was born in Milan on 21 April 1955, graduated from L. Bocconi University in Milan in Business in 1977/78, He has been registered since 14 July 1982 in the order of Chartered Accountants of Milan and became an Accounts Auditor with a decree dated 12 April 1995 published in the Italian Official Gazette no. 31 *bis* of 21 April 1995. After working at a leading commercial bank in London, in 1980 he began to work at the Business Institute at Bocconi University. He is currently an Associate Professor at the Law Department at Carlo Cattaneo University in Castellanza. He has published books and articles on financial statements, economic valuations and corporate governance in recent years, He is the director of the Accountants Review. He is a director for Luxottica Group SpA, Parmalat SpA, Interpump SpA, Carraro SpA and Indesit Group SpA; and in the past at Mediobanca SpA and Eni SpA, among others. He currently has a private practice in Milan with his associates and mainly dealing with consultation for extraordinary financial transactions (such as transfers, mergers, etc.), company appraisals, arbitration proceedings for estimate problems, court- or party-appointed expert witness, for trials or out-of-court settlements in both criminal and civil venues.

## **Personal and Professional Characteristics of Company Statutory Auditors**

### **Roberto Saccomani**

Born in Noventa Padovana on 27 February 1953, he graduated in Economics - business specialisation at the Ca' Foscari University in Venice. Registered in the Order of Chartered Accountants and Accounting Experts of the District Court of Padua and in the List of Chartered Auditors, he is a practising chartered accountant with the "Studio Associato Lorenzoni Saccomani". In carrying out his professional activity he has acquired extensive experience in the corporate, tax and accounting fields. He has been and still is a member of the Board of Statutory Auditors of several companies and organisations, including a foundation of banking origin.

### **Saverio Bozzolan**

(Padua, 1967) degree in Statistics and Economics - business specialisation (University of Padua), PhD in Business Economics (Ca' Foscari - Venice), is Professor of Business Economics at the University of Padua, where he teaches "Risk and Performance Management" and "Group Governance and Consolidated Financial Statements". He has spent periods of study and work abroad at, among others, the Industrial and Finance Division of the Bank of England (London), the London School of Economics (London), the

Cass Business School (London) and the University of Seville. He is mainly involved in corporate governance, risk analysis and assessment and corporate internal controls/compliance, issues on which he has significant research, having published books and articles in national and international journals, and professional experience. He is a member of the editorial board of international accounting and control journals (The International Journal of Accounting, Financial Reporting, Accounting and Business Research).

### **Marina Manna**

She was born in Foggia on 26 July 1960 and graduated in Business - with specialisation in law from Ca' Foscari University of Venice in 1984. She is registered in the order of Chartered Accountants and Accounting Experts of the Court of Padua and List of Auditors since 1989- She has practised as an accountant since that year mainly involved in tax issues, primarily the tax court process, expert consultation for both civil and criminal venues and bankruptcy proceedings. She has held offices on the Board of Chartered Accountants of Padua and is a member of the Board of Directors and supervisory board of various companies and bodies.