



# 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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## **GLOSSARY**

**Code/Code of Conduct:** the Code of Conduct of listed companies approved in March 2006 (and amended in March 2010) by the *Corporate Governance* Committee and endorsed by Borsa Italiana SpA. Unless otherwise specified, references to Principles, Criteria and Comments refer to the 2006 Code.

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

**Ital. Civ. Cod. / ICC:** the (Italian) Civil Code.

**Board:** the Board of Directors of the Issuer.

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

**Trading period:** trading period 2011.

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

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

**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 obliged to draw up pursuant to art.123-*bis* of the Consolidated Finance Act – TUF.

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

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



## **1. Issuer Profile**

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

The activities of the Carraro Group, coordinated by Carraro SpA with functions of strategic guidance and control, are divided up into four business areas: transmission systems, gears and components, vehicles and power electronics. This product offer is addressed to a wide range of applications from earth moving machinery to agricultural tractors, from cars to light commercial vehicles and from forklift trucks to stationary applications (such as escalators). In addition, the Group is increasingly oriented towards developments in emerging sectors linked to renewable energy sources, such as wind power generators and photovoltaic systems.

Carraro has been listed on the Mercato Telematico Azionario, organised and managed by Borsa Italiana SpA, 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, third edition of February 2012, 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 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 15/03/2012 (pursuant to art. 123-bis of the Consolidated Finance Act – TUF)**

### **a) Share capital structure (pursuant to art. 123-bis, paragraph 1, letter a) of the Consolidated Finance Act – 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, paragraph 1, letter b) of the Consolidated Finance Act – TUF)**

There are no restrictions to share transfers.

### **c) Significant holdings of share capital (pursuant to art. 123-bis, paragraph 1, letter c) of the Consolidated Finance Act – 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*, paragraph 1, letter d) of the Consolidated Finance Act – 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*, paragraph 1, letter f) of the Consolidated Finance Act – TUF)**

There are no restrictions to voting rights, except on the treasury stock acquired 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 agreements pursuant to article 122 of the Consolidated Finance Act – 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.

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

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

With reference to 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) Authorisations to increase company share capital and to acquire treasury shares (pursuant to art. 123-bis, paragraph 1, letter m) of the Consolidated Finance Act – 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 5 May 2011 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 2,299,490 ordinary shares, fully paid-up, having a unit par value of 0.52 euros, equal to 5% of current subscribed and paid-up share capital, taking into account treasury shares already held by Carraro 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 providing the availability of the treasury shares should be made at a minimum price per ordinary share no less than 20% lower, and no more than 20% higher than the reference price recorded in the stock exchange session on the day prior to each individual transaction.

On 8 March 2012, 2,073,521 shares representing 4.51% of share capital of the Company were purchased.

Bearing in mind that the current authorisation will expire on 5 November 2012, the Board passed a resolution to propose a motion to the Shareholders' Meeting, called to approve the 2011 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 point 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. ICC).**

Carraro is not subject to management and co-ordination, pursuant to article 2497 et seq of the Italian Civil Code, by the parent company Finaid SpA.

In fact the Company has an autonomous management and control structure adopted by all Group companies and to which the same report.

The controlling shareholder, Finaid S.p.A., does not interfere in any way with Carraro activities.

More specifically, the above point can be demonstrated by the following:

- Finaid is a purely financial holding;
- Finaid does not issue any instructions to Carraro;

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

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

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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) ("the rules governing appointment and replacement of directors as well as 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)**

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 the Company's website [www.carraro.com](http://www.carraro.com), in the "Investor Relations – Corporate Governance" section.

In December 2011 the Corporate Governance Committee of Borsa Italiana SpA approved the new Code of Conduct, inviting the Issuers to apply the amendments by the end of the financial year beginning in 2012, informing the market with the corporate governance report to be published during 2013.

The Company initiated the necessary verification and compliance activities and will adhere to the same as soon as possible during 2012.

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)**

Appointment and replacement of directors is governed 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.

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

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

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

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

## ***Succession plans***

The Board has not determined whether to adopt any succession plans for 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 10 members appointed by the Shareholders' Meeting on 23 April 2009, on the basis of the sole list presented by the shareholder Finaid S.p.A. and will remain in office until the date of the Shareholders' Meeting convened for the approval of the financial statements for the 2011 period.

There have been no changes to the composition of the Board since the closure of the 2011 period.

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

### **Maximum number of posts held in other companies**

The Board has not expressed an opinion regarding the maximum number of directorships or auditorships in companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large companies which may be considered compatible with effective execution of the office of director of the Company.

The outcome of the self-assessment process, performed by the Board on 22 February 2012 provided positive results as regards the activity performed by the Board and the Committees constituted within it, with reference to the satisfactory number of meetings, the efficiency and effectiveness of their work and their contribution towards reaching decisions as well as the important contribution provided by the directors with independent status.

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

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

During the course of the 2011 period, the Board held 7 meetings on the following dates:

**25.02.2011** Information on the data for the 2010 financial period from the Chief Executive Officer

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**29.03.2011** Examination and approval of the Carraro Group consolidated financial statements and the draft Carraro SpA financial statements as at 31 December 2010; Proposal for determination of remuneration for the Board of Directors for 2011

<b>05.05.2011</b>	Approval of the Quarterly Report as at 31 March 2011
<b>05.05.2011</b>	Breakdown of BoD remuneration for 2011; program for the own share purchase
<b>29.07.2011</b>	Examination and approval of the half-yearly report to 30 June 2011
<b>28.10.2011</b>	Examination and approval of the quarterly report as at 30 September 2011
<b>15.12.2011</b>	Examination and approval of the 2012 Budget

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 that it forms part of and has management responsibility for it. To this end it has the broadest powers for the ordinary and extraordinary administration of the Company, and has the power to carry out all the actions that it considers appropriate to implement and achieve the corporate purposes, excluding solely those that the articles of association and the law reserve strictly to the 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;
- examination and approval of the corporate governance system of the issuer 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 managers;
- 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 adopted 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 the withdrawal of a shareholder;
- amendments to the articles of association to meet new legislative provisions;
- except when the Board considers it appropriate that the afore-mentioned resolutions are taken by an Extraordinary Shareholders' Meeting.

In February 2012, 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 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 Internal Auditing Committee, the Person in Charge of Internal Control and the Director Responsible for producing the company's accounting documents.

The amount and breakdown of remuneration received by members of the Board of Directors during 2011 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.

On 22 February 2012 the Board made an assessment of the size, composition and functioning of the Board itself and its committees. The assessment process started with the filling in of a specific questionnaire by the members of the Board of Directors who expressed their opinions about the assessment of the key issues relating to the Board of Directors itself and its Committees, such as: (i) the functioning of the Board and its Committees (ii) the composition and size of the Board and its Committees, (iii) the Role of the Board and its Committees and (iv) the related standards of conduct.

From the analysis of the answers, we can summarise the outcome by saying that the overall assessment was positive as regards the size and composition of the Board and its Committees, the professional standards found within the Board and as regards the relations between executive, non-executive and independent directors. The role and functioning of the Committees have met with general appreciation by the Board. Finally, it was suggested, in view of renewal of the Board, to establish an Appointments Committee or, alternatively, to assign its tasks to the Remuneration and Human Resources Committee.

The Shareholders' Meeting was not called upon to authorise, in general and preventive terms, any exceptions to the non-competition clauses as provided for in article 2390 of the Italian Civil Code.

#### **4.4. Mandated Bodies**

##### **Chief Executive Officers**

The Chief Executive Officer, Dr. 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 Board of Directors:

- entering into, modifying and/or terminating commercial affiliation agreements or agreements licensing industrial property rights;
- the issue or the withdrawal of mandates or general powers of attorney;
- the issue of security guarantees, the establishment of liens or mortgages on the assets of the Company;
- the acquisition, sale, licensing, the conferment of, and the granting of guarantees on the following:
  - immovable assets;
  - enterprises or business units;
  - company shareholdings.
- the approval of the Company's budget and any business plans;
- entering into, amending and terminating any form of banking and financing agreement (more specifically, opening credit lines, loans, advances against securities, invoices and goods, discounts);
- the issue, acceptance or endorsement of the Company's 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 unrecorded movable asset, as well as enter into, amend and terminate agreements for the supply of services and any other agreement, for charge or profit, that is necessary or beneficial for the management of the company;
- purchase and sell vehicles;
- collect any amount owed to the Company from any party (State, public and private entities, physical and/or legal persons and companies), as well as issue the relative receipts/releases;
- hire and dismiss managers, clerical 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, cassation and before the Constitutional Court;

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

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



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

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

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

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

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

## **Information provided to the Board**

During the 2011 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 Enrico Carraro as Deputy Chairman of the Company in order to substitute the Chairman in the event of his absence or impediment in presiding over the meetings of the Shareholders or Board of Directors, conferring on the same the specific roles of co-ordination of Group operations in all *New Business Development, Corporate Image and Communication* initiatives, seeking, assessing and developing new business ideas and the corresponding medium and long-term plans to be submitted to the Board of Directors.

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

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

#### **4.6. Independent Directors**

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

Among non-executive directors, pursuant to the Code of Conduct and taking into consideration the information supplied by each director, Anna Maria Artoni, Arnaldo Camuffo, Pietro Guindani, Marco Milani and Antonio Cortellazzo are independent directors elected by the Shareholders' Meeting of 23 April 2009 and have declared possession of the requirements provided for in the Code of Conduct to be qualified as independent directors and possession of the requirements of independence pursuant to art. 148, paragraph 3 of the Consolidated Finance Act – TUF.

At the meeting held on 22 February 2012, the Board made an appraisal regarding the existence of the requirements of independence of the aforesaid Directors, after having acquired all appropriate information regarding the same, also on the basis of information provided by each of them.

The Board of Statutory Auditors, in its meeting of 22 February 2012, as part of its assigned tasks, verified application of the assessment criteria and procedures adopted by the Board to assess the independence of members of the same.

During 2011, the independent directors met once, on 15 December 2011, in the absence of the other directors, to discuss the issues of the functioning of the Board and its Committees, powers conferred on directors, corporates offices in Carraro subsidiaries and information flows from executive to independent directors.

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

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

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

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

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

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

The Chairman and the Chief Executive Officer are responsible for the correct processing of confidential information. To this end Carraro has adopted formal procedures for internal management and external communication of documents and information regarding the Company, with reference in particular to price sensitive information.

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

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

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

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

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

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

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

The Board has initiated the necessary activities to establish a single procedure for internal and external disclosure of documents and information concerning the Issuer, with particular reference to confidential information, which it intends to adopt as soon as possible during 2012.

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

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

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

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

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

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

## **7. Appointments Committee**

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

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

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

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

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

The current composition is in line with the recommendation of the Code which provides that members of the Human Resources and Remuneration Committee are non-executive directors, the majority of whom are independent directors and at least one member of the Human Resources and Remuneration Committee possesses adequate accounting and finance experience. 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 corporate evolution.

During 2011, the Committee met 6 times for an average duration of approx. 2 hours to address, among other things: the formulation of proposals on remuneration for Directors who have been delegated particular powers by the Board and for other Directors who hold particular offices; the assessment of the Chief Executive Officer's objectives for 2010; the evaluation of the criteria adopted for the remuneration of managers with strategic responsibilities and in particular of the MBO variable incentive scheme for 2012; the evaluation of the Carraro Group's Leadership model and Performance *Management*; the drafting and proposal to the Board of Directors of the Remuneration Policy.

Committee meetings were attended, on a case by case basis, at the invitation of the Committee and on individual agenda items, also by (i) the Chairman of the Board of Statutory Auditors, when the Committee was called upon to perform the functions conferred on the same pursuant to the Procedure for Related Party Transactions, (ii) the Chief Executive Officer, (iii) the Company Head 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.

The Committee has made recourse to the intervention of two leading consulting firms to verify the positioning of the Company with respect to the remuneration market for Executive Directors and Managers with strategic responsibilities, with a focus on medium to large size industrial companies operating in the European and Italian markets. Following the verifications carried out, the Committee found evidence of circumstances impairing the independence of judgment of the aforementioned consulting firms.

When, during the meetings held on 25 February 2011 and 29 March 2011, the Committee voted on the proposal to the Board of Directors for the remuneration of CEOs and other directors with special duties, the Deputy Chairman, Enrico Carraro, did not participate.

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The Committee is assisted in organising its meetings by the company functions necessary on a case by case basis. Minutes are taken of Committee meetings.

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 Human Resources and Remuneration Committee***

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

The Committee has been attributed, in addition to the functions provided by the Code of Conduct, with those provided for by the new Procedure for Transactions with Related Parties adopted by the Board on 12 November 2010, when relating to the allocation or increase in remuneration and economic benefits, and the other tasks related to the evaluation and formulation of proposals and recommendations concerning 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 of a propositional and consultative nature regarding (i) methods for assessing the quality of individual performance and the model of company leadership, based on proposals from the 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 procedures for development and strategies for retention; (iii) assessment of the organisational structure regarding business strategies and procedures for succession; (iv) based on information provided by the 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 15 March 2012, the Board of Directors approved, at the proposal of the Committee, the text of the remuneration policy which, pursuant to (i) Article 6 of the Code of Conduct 2011, (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.

The Company preferred to wait for the issue of amendments by Consob to the Issuer Regulations, which took place with resolution no. 18049 of 23 December 2011, in order to prepare a remuneration policy compliant with both the provisions of the 2011 Code of Conduct and with the new text of art. 84 quater of the Consob Issuer Regulations, nevertheless in time to be submitted for a resolution of the ordinary Shareholders' Meeting scheduled for 20 April 2012.

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), moreover responsible for preparing accounting documents, the Company believes that alignment with those of other managers with strategic responsibilities can stimulate full sharing in the attainment of the overall objectives of the management team, in terms of building shareholder value and better development of the Group.

As regards the person in charge of internal control, the same receives only a fixed component.

### ***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 Auditing Committee**

On 07 May 2009 the Board re-formed an Internal Auditing Committee within the Board. The Internal Auditing Committee is composed of three independent directors: Anna Maria Artoni, Arnaldo Camuffo and Antonio Cortellazzo. The Chairman of the Internal Auditing Committee is Antonio Cortellazzo.

The current composition of the Committee is in line with the recommendations of the Code that prescribes that the members of the Internal Auditing Committee are non-executive directors, the majority of whom must be independent directors and at least one of them must have adequate financial and accounting experience.

The Internal Auditing Committee met regularly in a total of 6 meetings during 2011 both to discuss institutional issues and to examine the processes for revising the organisational and control systems aimed at compliance with the new standards of corporate governance. Each meeting saw the attendance of all or the majority of its members, of the Board of Statutory Auditors (at the express invitation of the Committee and without limitations with regard to the items on the agenda), of the person in charge of internal control and head of Internal Auditing and of the Chief Executive Officer as the executive director responsible for internal control. 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 Manager of the Administration, Finance and Control (also as Director Responsible for producing the company's accounting documents), 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.

In carrying out its functions, the Internal Auditing Committee has the right to access company information and functions, as well as make recourse to external consultants. It does not have a predetermined amount of resources allocated directly and has the right to request the same as required.

### ***Functions attributed to the Internal Auditing Committee***

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

- supporting the Board in carrying out its tasks assigned to it by the Code, with regard to internal control issues;
- assessing the compliance with accounting principles and, in the case of the group, their homogeneity for the purposes of the preparing the consolidated financial statements, together with the Director Responsible for producing the company's accounting documents and the auditors;
- providing opinions, upon request from the responsible executive director, on the specific aspects relating to the identification of key corporate risks, as well as on the planning, creation and management of the internal control system;
- examining the programme prepared by the persons in charge of internal control as well as their periodic reports;
- assessing the programme set out for auditing and the results illustrated in the report and in any letters with recommendations;
- monitoring the efficacy of the accounts auditing process;
- reporting to the Board at least half-yearly, at the time of approval of the half-yearly financial statements and report, on the activities carried out as well as the adequacy of the internal auditing system;

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:

- Issues of a legislative and organisational nature:
  - organisation, management and control Model pursuant to Italian Legislative Decree 231/2001 (the "Model"):
    - management of the Carraro S.p.A. Model and evolution of tools for training and reporting to the SB;



- diffusion and personnel training process on the new Carraro SpA. model;
- monitoring of the process of adoption and diffusion of the 231 Management Model by the Italian subsidiaries of Carraro SpA.;
- follow-up on the programme of checking the procedures that monitor the key corporate cycles that was implemented following the new legislation introduced by the updated version of Italian Law No. 262/2005 ("Investment Act"); updates to the assessment of internal controls and the test programme for the year in progress;
- examination of the 2011 Audit Plan and monitoring progress of execution of the same;
- examination of the project status of the new information system.
- Issues of an institutional nature:
  - aspects emerging from the review of the annual statutory and consolidated financial statements as at 31.12.2010 during the specific meeting with the auditing company and Board of Statutory Auditors and consequential action plan developed by the company;
  - examination of the Letter of suggestions emerging from the review of the annual statutory and consolidated financial statements as at 31.12.2010 during the specific meeting with the auditing company and Board of Statutory Auditors and consequential action plan developed by the company;
  - aspects emerging from the review of the half-yearly consolidated financial statements as at 30.06.2011 during the specific meeting with the auditing company and Board of Statutory Auditors;

The audit activities were focused on the issues mentioned above and in particular:

a) 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 development of information technology training tools on the Model and support to the flow of information to the SB, implemented starting from Carraro SpA, the application benefits of which were then extended to other Group companies concerned. The Committee also monitored the process of preparation and adoption of the 231 Management Model by Italian subsidiaries.

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

The Auditing Committee also performed checks on the activities aimed at evaluating the adequacy of internal controls over the procedures governing the key company cycles (the so-called "project 262"), their control and updating. In 2011, the Internal Audit department updated the information gathered on the procedures, carried out testing and amended the corrective plans aimed at improving the processes.

## **11. Internal Control System**

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

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

a) to assess the adequacy of the company processes in terms of efficiency and efficacy;

- b) to ensure the reliability and accuracy of the financial information;
- c) to ensure the protection of the company's value;
- d) to ensure compliance of operations with internal and external regulations.

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

Brief description of the main characteristics of existing risk management and internal control systems with regard to the financial information, also consolidated, process, pursuant to art. 123-bis, paragraph 2, letter b) of the Consolidated Finance Act – TUF, Annex 1.

During the year the Internal Audit 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, compared to the results emerging from audits carried out during the previous year, the situation appears, from the point of view of the group as a whole, to be substantially stable.

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

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

### **11.1. Executive director in charge of the Internal Control System**

On 7 May 2009, the then Chief Executive Officer, Mr. Carlo Borsari, had been designated by the Board as executive director responsible for overseeing the functioning of the internal control system and subsequently, faced with the resignation of the same with effect from 31 July 2009, the Board conferred, on 4 August 2009, the same office on the new CEO, Mr. Alexander Bossard.

In this role, the Chief Executive Officer has performed the following tasks:

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

d) proposing to the Board the appointment, dismissal and remuneration of one or more persons in charge of internal control.

### **11.2. Person in charge of Internal Control**

The office of person in charge of internal control is assigned to the head of the Internal Audit function, Cristiano Dal Checco, at the proposal of the executive director in charge of overseeing the functioning of the internal control system, after consulting the Internal Auditing Committee. The remuneration of this person was defined by the company management.

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

The person in charge of internal control:

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

The person in charge of internal control had adequate resources available for performing the assigned function through the use of resources allocated to the Internal Audit function whose total budget for 2011 amounted to 270,000 Euros.

The main activities carried out during the year by the person in charge of internal control were development of activities related to the topics addressed by the Internal Auditing Committee (see par. 10 above).

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

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

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

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 (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.

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.

In the first half of the year, the main Italian subsidiaries of Carraro SpA, having previously complied with the Group Code of Ethics, each adopted their own Management Model pursuant to Italian Legislative Decree 231/2001, defined on the basis of a thorough preliminary analysis of identifiable offence risks with reference to their sectors of activity.

During 2011, in addition to the normal monitoring and management activities assigned to the SB, widespread training to all employees involved in implementation of the Management Model, both in the parent company as well as in subsidiaries, was carried out.

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

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

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

#### **11.4. Auditing Company**

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

With a shareholders' meeting resolution passed on 15 May 2007, the Company assigned auditing to PricewaterhouseCoopers S.p.A. for certification 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**

Enrico Gomiero, the Chief Financial Officer, was appointed as Director Responsible for producing the company's accounting documents, on 26 June 2007.

The Internal Auditing Committee, together with the Board of Statutory Auditors proposed the appointment of the Chief Financial Officer as the Director Responsible for producing the company's accounting 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, will be provided with the financial and human resources in line with the annual budget prepared by the Senior Manager in charge and approved by the Board of Directors. 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 of Directors 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.

## **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 – Corporate Governance, was unanimously approved by the Company's Board of Directors on 12 November 2010, following the favourable opinion expressed unanimously by the Internal Auditing Committee pursuant to art. 4 (1) and (3) of the Consob Regulations on the provisions relating to transactions with related parties, adopted with resolution No. 17221 dated 12 March 2010 and subsequently amended with resolution No. 17389 dated 23 June 2010.

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

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

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

## **13. Appointment of Statutory Auditors**

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

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

#### **14. Statutory Auditors (pursuant to art. 123-bis, 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 23 April 2009 and finishes its term of office at the Shareholders' Meeting for the approval of the 2011 financial statements. The Chairman of the Board, Luigi Basso, and the alternate auditor Silvano Corbella were elected from the list presented by minority shareholders whereas the regular auditors, Saverio Bozzolan and Roberto Saccomani 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 2011 there were no situations for which the members of the Board of Statutory Auditors would have had to declare their interests or those of a third party in a specific company transaction. The exchange of information between the Board of Statutory Auditors and the Internal Auditing Committee takes place through the systematic participation of the Board of Statutory Auditors at the meetings of the Committee.

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 10 in total with an average duration of 2 hours.

The Board has planned to hold 10 meetings during 2012, 3 of which have already been held. At its meeting on 22 February 2012, 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 and 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.

## **15. Relations with Shareholders**

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

The Company's website has the section "Investor Relations" 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.

One should note that there were no significant variations to the market capitalisation of the Company, or to the composition of the company's shareholders such as to make it necessary to propose amendments to the articles of association to the Shareholders' Meeting relative to the percentages established for the exercise of the prerogatives protecting minority shareholders. On this point, one should also note that in application of article 144-quater of the Consob Regulations for Issuers no.11971/1999, for the presentation of lists for the appointment of members of the Board and the Board of Statutory Auditors, articles 21 and 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 since the closure of the trading period**

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



## TABLES

**Table 1: Information on ownership structures****Structure of share capital**

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

\*Excluding the treasury stock acquired by the company

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

	Listed (specify markets) / not listed	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 shareholder	Percentage of ordinary capital	Percentage of voting capital
Carraro Mario	Mario Carraro/Finaid SpA	62.359	64.281
Carraro SpA	Carraro SpA	4.509	--
Carraro Francesco	Carraro Francesco	2.571	2.650

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

Board of Directors											Internal Auditing Committee		HR & Remun. Committee	
Office	Members	In office since	In office until	List (M/m)*	Exec.	Non-exec.	Indep. by Code	Indep. by TUF	(%)**	Number other posts***	****	**	****	**
<b>Chairman</b>	Mario Carraro	23.04.09	App. FS.2011	M	X	-	-	-	100	-	-		-	
<b>MD</b>	Alexander J. Bossard	23.04.09	App. FS.2011	M	X	-	-	-	100	-	-		-	
<b>Deputy Chairman</b>	Enrico Carraro	23.04.09	App. FS.2011	M	X	-	-	-	100	-	-		X	100
<b>Director</b>	Francesco Carraro	23.04.09	App. FS.2011	M	-	X	-	-	57.1	-	-		-	
<b>Director</b>	Tomaso Carraro	23.04.09	App. FS.2011	M	-	X	-	-	100	-	-		-	
<b>Director</b>	Antonio Cortellazzo	23.04.09	App. FS.2011	M	-	X	X	X	100	12	X	100	X	100
<b>Director</b>	Anna Maria Artoni	23.04.09	App. FS.2011	M	-	X	X	X	85.7	3	X	83.3	-	
<b>Director</b>	Pietro Guindani	23.04.09	App. FS.2011	M	-	X	X	X	100	7	-		X	100
<b>Director</b>	Marco Milani	23.04.09	App. FS.2011	M	-	X	X	X	85.7	1	-		X	83.3
<b>Director</b>	Arnaldo Camuffo	23.04.09	App. FS.2011	M	-	X	X	X	100	2	X	83.3	X	100
<b>No. meetings held during reference trading period:</b>		BoD:7			IAC:6			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**

<b>Office</b>	<b>Members</b>	<b>In office since</b>	<b>In office until</b>	<b>List (M/m)*</b>	<b>Independence acc. to Code</b>	<b>** (%)</b>	<b>Number other posts ***</b>
<b>Chairman</b>	Luigi Basso	23 April 2009	Approv. FS. 2011	m	X	100	14
<b>Regular auditor</b>	Saverio Bozzolan	23 April 2009	Approv. FS. 2011	M	X	100	0
<b>Regular auditor</b>	Roberto Saccomani	23 April 2009	Approv. FS. 2011	M	X	100	17
<b>Alternate auditor</b>	Silvano Corbella	23 April 2009	Approv. FS. 2011	m	X	--	--
<b>Alternate auditor</b>	Marina Manna	23 April 2009	Approv. FS. 2011	M	X	--	--
<b>Indicate the <i>quorum</i> required for the presentation of lists at the latest appointment: 2.5%</b>							
<b>Number of meetings held during the reference trading period: 10</b>							

**NOTES**

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

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

\*\*\* This column indicates the number of posts as director or statutory auditor held by the person in question which may be considered as significant pursuant to art.148-*bis* of the Consolidated Finance Act – TUF. The full list of posts is attached, pursuant to art.144-*quinquies decies* of the Consob Regulations for Issuers, to the report on Supervision, prepared by the Statutory Auditors pursuant to article 153 (1) 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, paragraph 2, letter b) of the Consolidated Finance Act – 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 financial statements items, the management entities, the processes involved with the specific operating activities and the related accounting items generated from them; the controls protecting against the identified risks are identified with the same criteria. According to the methods adopted by Carraro S.p.A., the risks and related controls are therefore associated with the accounts and the corporate processes which are fundamental in the formation of accounting data.

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

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

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

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

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

Where deemed appropriate, the assessment of the controls may lead to the identification of compensatory controls, corrective actions or plans for improvement. The results of the monitoring activities are periodically submitted to the scrutiny of the 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**

#### **Mario Carraro**

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

#### **Enrico Carraro**

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

#### **Tomaso Carraro**

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

### **Anna Maria Artoni**

Anna Maria Artoni (Guastalla (RE), 1967), is Sole Director of Artoni Group SpA , a family business, leader in the transport and logistics sector. She is Deputy Chairman of Artoni Trasporti SpA, Artleasing SpA and Chairman of other Artoni Group companies. She is a member of the Board of Directors of Linkiesta SpA since 2010. Since April 2011 she is an independent member of the Board of Directors of Pirelli SpA and member of the Compensation Committee. Since April 2006 she has been a member of the board of directors of the Cassa di Risparmio di Parma e Piacenza (Crédit Agricole Group). Since 2005 she is a member of the investment committee of Credem Private Equity SGR. Since November 2008 she is a member of the Strategic Committee of 21 investments. She is a member of the Board of Confindustria since 2002. Since 1999 she serves on the Board of Directors of the Association of Industrialists of Reggio Emilia. Starting from 1986 she has held various positions in the Young Entrepreneurs movement and in April 2002 was elected Chairman of the Young Entrepreneurs and Deputy Chairman of Confindustria. From June 2005 until 2011 she was Chairman of Confindustria for Emilia-Romagna. She is a member of the Board of Directors of Assonime. In 2002 she was appointed by the Italian Government to be part of the Advisory Board on Technological Innovation. She is on the board of directors of the Guido Carli Luiss University and a member of the Advisory Board of the Alma Graduate School of Bologna.

### **Arnaldo Camuffo**

Born in Venice in 1961, he graduated in Business Studies at the Università Ca' Foscari 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.

### **Pietro Guindani**

Pietro Guindani has been Chairman of the Board of Directors of Vodafone Italia since July 2008. He graduated in Economics and Business at the Bocconi University in Milan in 1982 and began his professional career at the Italian offices of Citibank N.A. in the Global Corporate Banking area until 1986. From 1986 to 1993 he worked in the chemical sector, firstly as International Finance Director in the Montedison Group and subsequently as Chief Financial Officer of European Vinyls Corporation in Brussels (joint-venture 50-50 between ENI and ICI). In 1993 he was appointed Director of International Finance of the Olivetti Group and in 1995 he joined Vodafone Italia (then a subsidiary of the Olivetti Group with the name of Omnitel Pronto Italia) where he held the position of General Manager for Administration, Finance and Control and Chief Financial Officer of the South Europe, Middle East and Africa Region until 2004, to then become Chief Executive Officer of Vodafone Italia and member of the Executive Committee of Vodafone Group from 2004 to 2008. In Confindustria, from 2004 to 2009 he was Chairman of Asstel - Assotelecomunicazioni, the association of telecommunications companies, of which he is still a member of the Executive Board. He is a member of the Board of Confindustria and Unindustria as well as a member of the Executive Board of Assolombarda, Assonime and the Civita Foundation. Currently he also holds other corporate positions including that of member of the Board of Directors of Pirelli & C. SpA and Sorin SpA, a company listed on the Milan Stock Exchange; he is a member of the Executive Committee of the Italian Institute of Technology in Genoa and President of the Bocconi Alumni Association.

### **Marco Milani**

Marco Milani, born in Milan in 1954, graduate in Engineering, has been Chief Executive Officer of the Indesit Company since 27 July 2004. He entered the Company in 1980 and has held posts with increasing responsibility in the various industrial and commercial sectors in Italy, but especially abroad. In 1998 and up to the acquisition of Stinol in 2000 he was responsible for the CSI market (ex-Soviet Republics) and of the market of other countries in the East with offices in Moscow. When he returned to Italy, he became General Director and in March 2002 he was appointed Chief Executive Officer of Indesit Company UK, the company that was established after the acquisition of GDA-Hotpoint, which Milani fully integrated.

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

### **Luigi Basso**

Born in Falcade in 1944; degree in Economics from the University of Venice in 1967 and registered since 1970 in the order of Chartered Accountants. He was a member of the Council of Chartered Accountants of Padua from 1976 to 1992 and of various Commissions of the National Council. he practised as a member of the 2nd degree Tax Commission of Padua for several years until 1992. He was Regular Auditor of the Banca Antoniana of Padua in the period between 1985 and 1996 until its merger with Banca Popolare Veneta. He still holds auditing positions in various companies of the new Antonveneta group. he is a member of the Board of Directors and Board of Statutory Auditors of several other companies. Since 2009 he is Chairman of the Board of Auditors of the Municipality of Padua. He practices in the firm Basso Pavanello Associates in Padua, Via Anghinoni 3.

### **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 Business Finance and Corporate Governance and Control Systems 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 financial planning, 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).

### **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 practicing chartered accountant with the firm Lorenzoni Saccomani Associates. 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.