



Report on Corporate Governance

As required by articles 124-bis of TUF (Consolidated Finance act), 89-bis of Consob Regulations for Issuers and article IA.2.6 of the Borsa (Stock Exchange) Regulation Instructions

Issued by:
Carraro S.p.A.

Web site
www.carraro.com

Period of the Report:
2008

Date of approval of the Report:
March 20, 2009

CONTENTS

CONTENTS	2
GLOSSARY	4
1. ISSUER PROFILE	5
2. INFORMATION on PROPRIETARY ASSETS (<i>ex art. 123 bis TUF</i>) as at 20/03/2009.....	5
a) Share capital structure	6
b) Restrictions to share transfers.....	6
c) Significant holdings of share capital	6
d) Shares having special entitlements.....	7
e) Employee share scheme: mechanism to exercise voting rights.....	7
f) Restrictions to voting rights.....	7
g) Agreements between shareholders	7
h) Appointment and replacement of administrators and amendments to the articles of association.....	7
i) Authorisation to increase the company share capital and authorisation to acquire treasury shares.....	9
l) Change of control clauses.....	10
m) Administrators' indemnities in the event of resignation, dismissal or terminations following an initial public offering	11
3. COMPLIANCE	11
4. MANAGEMENT AND COORDINATION	11
5. BOARD OF DIRECTORS	12
5.1. COMPOSITION.....	12
5.2. ROLE OF THE BOARD OF DIRECTORS.....	14
5.3. MANDATED BODIES.....	18
5.4. OTHER EXECUTIVE DIRECTORS.....	22
5.5. INDEPENDENT ADMINISTRATORS.....	24
5.6. LEAD INDEPENDENT DIRECTOR	25
6. PROCESSING OF COMPANY INFORMATION	25

7. COMMITTEES INTERNAL TO THE BOARD	27
8. APPOINTMENTS COMMITTEE	28
9. REMUNERATION COMMITTEE	28
10. ADMINISTRATOR REMUNERATION	29
11. INTERNAL AUDITING COMMITTEE	30
12. INTERNAL CONTROL SYSTEM	34
12.1. EXECUTIVE ADMINISTRATOR IN CHARGE OF THE INTERNAL AUDITING SYSTEM.....	35
12.2. PERSON IN CHARGE OF INTERNAL AUDITING.....	36
12.3. MANAGEMENT MODEL ex legislative decree 231/2001.....	37
12.4. AUDITING COMPANY.....	38
12.5. PERSON IN CHARGE OF THE COMPILATION OF THE COMPANY ACCOUNT DOCUMENTS.....	38
13. ADMINISTRATORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES	39
14. APPOINTMENT OF STATUTORY AUDITORS	40
15. AUDITORS	41
16. INVESTOR RELATIONS	42
17. MEETINGS OF SHAREHOLDERS	43
18. CHANGES SINCE THE CLOSURE OF THE TRADING PERIOD	44
Appendix to the Corporate Governance report: personal and professional characteristics of the company administrators	45

GLOSSARY

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

Cod. civ. / c.c.: the (Italian) civil code.

Board: the Board of Directors of the Issuer.

Issuer: the issuer of listed shares to which the Report refers.

Trading period: the company trading period of the Report:

Borsa Regulation Instructions: the Regulation Instructions for Markets organised and run by Borsa Italiana S.p.A.

Borsa Regulation: the Regulation of the Markets organised and run by Borsa Italiana S.p.A.

Consob Regulations for Issuers: the Regulations issued by Consob by resolution no. 11971 dated 1999 governing issuers.

Consob Market Regulations: the Regulations issued by Consob by resolution no. 16191 dated 2007 governing markets.

Report: the report on corporate governance, which companies are required to compile as prescribed by articles 124-*bis* TUF (Consolidated Finance Act), 89-*bis* Consob Regulations for Issuers and article IA2.6. Borsa Regulation Instructions.

TUF: Legislative decree no. 58 dated February 24, 1998 (Consolidated Finance Act).

1. ISSUER PROFILE

Carraro S.p.A. is a leading international company in power transmission systems. The Carraro Group's core business is the design, manufacture and marketing of transmission systems developed for earthmoving machinery, agricultural tractors, light commercial vehicles, cars and static machinery.

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

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

The Board of Directors, in its meeting of March 29, 2007, deliberated to adhere to the new Self-disciplinary Code compiled by the Borsa Italiana S.p.A. Corporate Governance Committee in March 2006, in accordance with the terms and conditions illustrated below.

This Report has been compiled in accordance with the instructions of the cited Code. In anticipation of the reporting criteria being defined by article 89-*bis* of the Regulations for Issuers, it was considered appropriate to continue to use the experimental format for corporate governance reports proposed by Borsa Italiana SpA, Listed Companies Supervision & Legal Affairs.

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

2. INFORMATION on PROPRIETARY ASSETS (*ex art. 123 bis TUF*) as at March 20, 2009

a) Share capital structure

Amount of company share capital subscribed and paid in, in Euro: 21,840,000.00

Categories of shares making up the share capital:

	No. shares	% of share capital	Listed / unlisted (indicate markets)	Rights and obligations
Ordinary shares	42,000,000	100%	Borsa Italiana	Each share carries a right to one vote. Rights and obligations of shareholders are as prescribed by articles 2346 <i>et seq.</i> Italian civil code
Shares with limited voting rights	//	//	//	
Shares with no voting rights	//	//	//	

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

b) Restrictions to share transfers

There are no restrictions to share transfers.

c) Significant holdings of share capital

Significant holdings in the share capital of Carraro in accordance with the notification requirements pursuant to article 120 TUF:

Holding entity	Direct shareholder	Percentage of ordinary capital	Percentage of voting capital
Bipiemme Gestioni Sgr SpA	Bipiemme Gestioni Sgr SpA	2,013	2,013
Oyster Sicav	Oyster Sicav	2,799	2,799
Carraro Mario	Finaid SpA	54,1322	54,1322
Carraro Mario	Carraro Mario	4,532	4,532
Carraro Francesco	Carraro Francesco	2,970	2,970

d) Shares having special entitlements

No shares having special control rights have been issued.

e) Employee share scheme: mechanism to exercise voting rights

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

f) Restrictions to voting rights

There are no restrictions to voting rights.

g) Agreements between shareholders

The company is not aware of the existence of significant shareholder pacts as envisaged by article 122 TUF.

h) Appointment and replacement of administrators and amendments to the articles of association

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

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

The administrators are appointed by the AGM 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.

Such lists should be complete with the professional résumés of the individuals nominated, an indication of their qualification as independent and must be signed by the presenting shareholders. They must be delivered to the Company offices at least 15 days prior to the first anticipated AGM date.

Lists not having gained a percentage of votes of at least half of that required by the current articles of association for their presentation, will not be considered.

Administrators thus nominated are appointed in accordance with the following criteria:

- a) a number of administrators equal to the total number of members of the Board, as previously set out by the AGM, minus one will be eligible for election, from the list obtaining the greatest number of votes. The candidates will be elected in the numerical order indicated on the list;
- b) one administrator will be drawn from the top of the list that obtained the second 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 dismissal, for whatever reason, of the post of one or more administrators, their replacement shall be made by the Board of Directors, by resolution approved by the Board of Statutory Auditors. The replacement administrator/s shall be selected from among the candidates indicated on the same list from which the dismissed administrator/s was/were appointed, provided that the resulting majority continues to comprise administrators appointed by the AGM. In the event the dismissed administrator is independent, another independent administrator should be appointed.

Administrators thus appointed remain in office until the subsequent AGM, which will be required to re-appoint them or extend or reduce the Board via the appointment of more administrators, or the reduction of the number of administrators.

Administrators appointed by the AGM remain in office until the termination of the term set upon their appointment.

In the event of the reduction of the administrators' majority as appointed by the AGM, the entire Board shall be dismissed. The administrators remaining in office

must urgently convene a meeting of the shareholders for the appointment of the new Board.

The articles of association may be modified: (i) by resolution of an EGM that, pursuant to article 18, is validly held on the first occasion with the intervention of a number of shareholders that represents more than half of the company share capital, on the second occasion with more than one third of the share capital and on a third meeting with more than one fifth of the share capital; where shares without voting rights are excluded from the calculation and with a majority vote of at least two thirds of the capital represented at the meeting, or (ii) by the deliberation of the Board of Directors, as admissible by law, in the event of the adjustment of the articles of association by legislative provision.

i) Authorisation to increase the company share capital and authorisation to acquire treasury shares

The Board has no mandate by the shareholders to increase the share capital as envisaged article 2443 of the civil code nor issue stockholding financial instruments.

On April 23, 2008 the company AGM authorised: (1), pursuant to and through the effects of articles 2357 *et seq* of the civil code and 132 of legislative decree no. 58, dated February 24, 1998, the purchase of a maximum number of 2,100,000 fully paid-in ordinary shares in Carraro S.p.A., having a nominal value of Euro 0.52 each, the equivalent of 5% of the current share capital subscribed and paid, in one or more times and for a period of 18 months from the date of the resolution. The ordinary shares were to be bought back at a price per ordinary share no less than 30% lower, and no more than 20% higher than the reference price recorded in the stock exchange session on the day prior to each individual transaction; applicable at the time, and

(2) pursuant to and through the effects of article 2357-ter, paragraph 1 of the civil code, the fulfilment of actions providing the availability of all or part of the shares acquired in execution of the authorisations by the body of shareholders as illustrated in point 1 above, including prior to exhausting the quantity prescribed in the authorisation itself, in one or more tranches, and in any event during a period of 18 months starting from the date of the resolution for the authorisation. The actions providing the availability 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.

606,500 treasury shares were acquired on March 20, 2009, the equivalent of 1.4440% of the Company's share capital.

D) Change of control clauses

For Carraro and certain of its subsidiaries, entering into 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 a competitor of the counterparty were to gain control of Carraro or its subsidiaries.

The change of control could form grounds for withdrawal in the case of a syndicated financing of Euro 150 million granted to Carraro and its subsidiary Carraro International SA by a pool of banks.

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

m) Administrators' indemnities in the event of resignation, dismissal or terminations following an initial public offering

There is an agreement between the company and the Managing Director that provides an indemnity in the event of dismissal or if employment is required to terminate as a result of an initial public offering.

3. COMPLIANCE

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

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

4. MANAGEMENT AND COORDINATION

Carraro is not subject to the management and coordination envisaged by article 2497 *et seq* of the civil code, by the parent company Finaid S.p.A.

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

The controlling shareholding of Finaid S.p.A. has no bearing on Carraro operations. More specifically, the following can be illustrated in evidence of this status:

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

5. BOARD OF DIRECTORS

5.1. COMPOSITION

The Board of Directors in office as at the date of compiling this report comprises 9 members appointed by the AGM of May 11, 2006 and will remain in office until the date of the AGM convened for the approval of the financial statements for the 2008 period.

The next Board will however be appointed in accordance with the new regulations of the articles of association, illustrated in point 2.(h) (Appointment and replacement of administrators and amendments to the articles of association).

The Board of Directors consists of executive and non-executive directors; Mario Carraro, Carlo Borsari, Tomaso Carraro and Enrico Carraro are executive directors.

Among the non-executive administrators, as envisaged by the Code and in consideration of the information provided by each administrator, Prof. Giorgio Brunetti, Sergio Erede and Antonio Cortellazzo were independent administrators for the year 2008.

Name	Office	In post since	List	Exec.	Non-Exec.	Indep.	Indep. TUF	% attendance	Other posts
Mario Carraro	Chairman	May 11, 2006	//	X				100%	
Carlo Borsari	Managing Director	May 11, 2006	//	X				100%	
Enrico Carraro	Deputy Chairman	May 11, 2006	//	X				100%	
Francesco Carraro	Director	May 11, 2006	//		X			33.33%	
Tomaso Carraro	Director	May 11, 2006	//	X				100%	
Onofrio Tonin	Director	May 11, 2006	//		X			100%	
Sergio Erede	Director	May 11, 2006	//		X	X	X	77.77%	12
Antonio Cortellazzo	Director	May 11, 2006	//		X	X	X	100%	16

Giorgio Brunetti	Director	May 11, 2006	//	X	X	X	100%	4
------------------	----------	--------------	----	---	---	---	------	---

LEGEND

Exec.: indicates whether the director can be qualified as executive

Non exec.: indicates whether the director can be qualified as non-executive

Indep.: indicates whether the director can be qualified as independent in accordance with the Code

Indep. TUF: indicates whether the administrator has the requirements of independence set out by article 148, paragraph 3, of the TUF (Consolidated Finance act), or article 144-*decies*, of the Consob Regulations for Issuers)

% attendance: indicates the director's percentage of attendance at board meetings

Other posts: indicates the total number of posts held in other financial, banking and insurance companies listed on regulated markets (including foreign), or companies of significant dimensions not forming part of the Carraro Group.

Name	Office	R.C	% RC	IAC	% IAC
Onofrio Tonin	Non-executive administrator	M	100	M	100
Sergio Erede	Independent administrator	M	100		
Antonio Cortellazzo	Independent administrator	C	100	M	100
Giorgio Brunetti	Independent administrator			C	100

LEGEND

R.C.: Remuneration Committee. C/M indicates whether chairman or member of the committee

% R.C.: indicates the director's percentage of attendance at remuneration committee meetings

I.A.C.: Internal Auditing Committee. C/M indicates whether chairman or member of the committee

% I.A.C.: indicates the director's percentage of attendance at internal auditing committee meetings

There were no changes to the composition of the Board up to the closure of the 2008 period.

The personal and professional characteristics of the administrators and the administrative or auditing posts held by each administrator in other companies listed on regulated markets, including foreign, in financial, banking, insurance companies or those of significant dimensions, are listed in the documentation appended to this Report.

Maximum number of posts held in other companies

The Board is not explicit as regards the maximum number of administration or auditing posts that the members of the Board of Directors may hold in other listed financial, banking or insurance companies or those having significant dimensions, provided that it is a number compatible with carrying out the office of administrator effectively.

As regards the current composition of the Board, it is considered that such an assessment was previously carried out by the shareholders when designating the administrators at the ordinary AGM held on May 11, 2006 and subsequently by the individual administrator when accepting the office.

5.2. ROLE OF THE BOARD OF DIRECTORS

During the course of the 2008 period, the Board held 9 meetings on the following dates:

Feb. 21, 2008	Analysis of 2007 interim figures
March 20, 2008	Scrutiny and approval of the Carraro Group consolidated financial statements and the proposed Carraro S.p.A. balance sheet as at December 31, 2007
Apr. 23, 2008	Allocation of payments and tax consolidation
May 14, 2008	Scrutiny and approval of the quarterly report to March 31, 2008
June 16, 2008	Carraro Group restructuring proposal
July 24, 2008	Update of the procedure for handling confidential information
August 28, 2008	Scrutiny and approval of the half-yearly report to June 30, 2008
Nov. 11, 2008	Scrutiny and approval of the quarterly report to September 30, 2008
Dec. 16, 2008	Scrutiny and approval of the 2009 budget

The average duration of meetings of the Board was two hours

Eight meetings were scheduled for the current period, of which two have already been held.

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

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

To be more specific, via clauses of the articles of association, confirmed mandates and corporate practices, the Board deliberates on the following issues of major significance:

- the scrutiny and approval of the company and group's strategic programmes in terms of industrial, commercial, structural and financial issues;
- the scrutiny and approval of the budget and operations having major significance to the company and group's profit/loss, capital and lending situation;
- examination and approval of the issuer and group's corporate governance system;
- appraisal of the adequacy of the company and group's general administration and management configuration;
- the attribution to and revocation of mandates from the Chairman, the Managing Director and the confirmation or withdrawal of special powers of attorney to the managers of the Company;
- on consultation with the Committees and the Board of statutory auditors, the determination of the remuneration due to the Chairman, Managing Director, the individual members of the Board and the Committees;

- monitoring the company and group's general management progress, periodically comparing the results achieved with those anticipated, paying particular attention to operations having greater significance on the company and group's profit/loss, capital and lending situation;
- annually to make an appraisal of the size, composition and function of the Board and its Committees;
- to define Corporate Governance rules, as well as to monitor the adoption and compliance with those rules with reference to the Self-disciplinary Code;
- the scrutiny and approval of guiding principles, operating limits and more generally, the management of the company and group's financial risks, as well as controlling compliance with the adopted policies;
- the scrutiny of all quarterly, half yearly and annual profit/loss and financial reports documents;
- the scrutiny and approval of operations with related parties, as well as matters where the Administrators have an interest.

The company's articles of association provide that the Board of Directors also has the facility 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 civil code;
- the reduction of the company share capital in the event of the withdrawal of a shareholder;
- the amendment of the articles of association to legislative provisions;
- without prejudice to the facility of the Board to resolve that the above cited decisions be taken by an EGM.

During the course of the 2008 period the Board assessed the adequacy of the company's general management, administrative and accounting configuration, with specific reference to the internal control system and key management of

conflict of interest, in comparison with the procedures already adopted by the Company for such purposes.

With this activity the Board received the support of the Internal Control Committee, the Person in Charge of Internal Control, the Director in charge of the compilation of company accounts documents and a leading consulting company.

With regard to the remuneration of Administrators, as envisaged by article 21 of the articles of association, each administrator was paid an annual fee according to the proposals made by the Remuneration Committee, the amount of which was deliberated by the AGM.

The remuneration of the Chairman, the Deputy Chairman, the Managing Director and other administrators holding specific offices was however deliberated by the Board, following an examination of the proposals of the Remuneration Committee and on consultation with the Board of statutory auditors.

The amount received in fees by the members of the Board of Directors for the 2008 period is illustrated in detail in the notes to the financial statements as provided by article 78 and Appendix 3C of the Consob Regulations for Issuers as amended.

The Board appraised the general management progress at least quarterly, in consideration of the information received from the mandated bodies, as well as by means of a periodical comparison of the results achieved against those anticipated.

The Board is reserved the facility of giving prior scrutiny and approval to the operations of the company and its subsidiaries, when such operations have strategic profit/loss, capital or lending significance for the Company and for the Group in general.

On February 20, 2009 the Board put into effect an assessment of both size, composition and function of the Board itself and its committees.

The outcome of this evaluation should provide useful information for the shareholders when it comes to the anticipated renewal of posts at the AGM convened for the approval of the balance sheet for the 2008 period.

It is indicated furthermore how certain actions were identified to be undertaken to further improve the function of the Board and its Committees. These anticipate, among other things, a training process for non-executive Administrators so that they can have a more comprehensive knowledge of the sectors of industry in which the Group operates, as well as the manufacturing systems and international organisation.

The AGM was not called to authorise, in general terms, any of the anti-competitive mandates envisaged by article 2390 of the civil code.

5.3. MANDATED BODIES

Managing Directors

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

- entering into, modifying and/or terminating commercial affiliation agreements or agreements licensing industrial property rights;
- the employment and dismissal of managers of the Company, as well as determining their remuneration;
- 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, the sale, the licensing, the conferment of, and the granting of guarantees on the following:
 - immovable assets;

- enterprises or going concerns;
- company shareholdings.
- the approval of the Company's budget and any business plans;
- entering into, amending and terminating any form of banking and financing agreement (more specifically, opening credit lines, loans, advances against securities, invoices and goods, discounts;
- the issue, acceptance or endorsement of the Company's obligations;
- the opening or the closure of local units, sites, branches and agencies.

For the purposes of clarity, but without limitation of the attribution of the powers of ordinary administration thus delegated, note that the Managing Director is able to carry out the following (within the limits illustrated in the paragraph below):

- make and sign company correspondence;
- sell and acquire goods, products, and any other unrecorded movable asset, as well as enter into, and terminate agreements for the supply of services and any other agreement, for charge or profit, necessary or beneficial for the management of the company;
- acquire and sell vehicles;
- draw any amount owed to the Company from whomsoever (State, public and private entities, physical and/or legal persons and companies), as well as issue the relative receipt/release;
- take on and dismiss managers, employees and workers, and enter into, amend and terminate the relative employment agreements;
- enter into, amend and terminate managed and continual collaboration agreements and consulting agreements;
- represent the Company in all dealings with and reports to the State fiscal, financial, administrative and legal offices and with the administration of local or overseas employees, pension and welfare, insurance or mutual organisations, with the facility to agree earnings, issue a statement and certificates, open proceedings before all the administrative and legal authorities of the Republic of Italy;
- present charges, make claims against any official provision by the authorities and offices above and sign the relative documents and/or the associated deeds;

- represent the Company in proceedings before all the authorities of 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 debt or dispute of the Company with third parties, including employment debts and disputes with managers, employees and workers, appointing arbiters and/or amicable compositors and signing the relative settlement deeds;
- represent the Company in any bankruptcy proceedings with all the necessary powers;
- advance and/or request bankruptcy declarations, support meetings with creditors, accept and exercise the role as a member of the committee of creditors, should the appointment fall to the Company;
- declare credits, asserting their existence and truthfulness;
- accept and reject proposals of agreement with creditors and to do everything else necessary and/or appropriate for such procedures;
- receive letters and parcels, both ordinary and registered and/or insured, from postal and telegraphic offices, from shipping companies and from any other transportation company;
- redeem postal orders and telegraphic orders, checks and drafts of any type and for any amount;
- request and receive amounts, securities, goods and documents, signing the relative receipts, releases from liability, with any public and/or private administration, any public and/or private fund, including the State Treasury, the *Cassa Depositi e Prestiti* (state funded bank), funds owed by the state, state and private customs and railway offices, both in central, regional and/or peripheral locations, and including the regional tax revenue services and their local sections;
- carry out any other action and operation with the above indicated administrations;
- sign bills of exchange from the Company's clients as the drawer, issue bills of exchange and order, endorse cheques, drafts and bills of exchange, but in any event draw them and pay them into the Company's current accounts or dispute

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 operations for the ordinary administration of the Company, open current bank accounts and a current account in the name of the Company for the administration of postal current accounts;
- make withdrawals, make payments, sign cheques against the above current accounts, including open, within the limits of the authority entrusted, monitor these current accounts and approve their statements;
- carry out each and every activity concerning compliance with security legislation, protection of the environment, privacy and represent the Company before each and every associated public and private office and entity;
- delegate part of the above cited powers to managers, middle managers or employees of the company or to third parties, provided that the delegated powers do not give rise to the supposition of direct representative as envisaged by articles 2203 *et seq* of the civil code.

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

- settling, defining and reconciling proceedings and disputes (including arbitral) of an amount no greater than, per individual dispute, Euro 1,000,000 (one million);
- negotiating, entering into, amending and/or terminating:
 - agreements for the acquisition of machinery, plant, equipment and/or vehicles of an amount no greater than, per individual agreement, Euro 1,000,000 (one million);
 - consulting agreements of a value no greater than, per individual agreement, Euro 500,000 (five hundred thousand);
 - any other agreement that stipulates obligations for the Company of amounts no greater than, per individual agreement, 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

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 profit forecast and budget.

The maintenance of mandates held by the Chairman is based on the preservation of continuity, ensured by the controlling shareholder, in the management objectives as well as in the strategic vision of the Company and the Group, in consideration of its experience with the business areas, customers and markets in which the Company has operated for some time. In actual fact the Chairman performs the role of coordination and strategic planning while the executive management of the Company and the Group falls to the Managing Director. The clause of the Self-disciplinary Code in point 2.P.4 is therefore considered adhered to as it suggests concentrating company roles on one single person should be avoided.

The Chairman of the Board has, by means of Finaid S.p.A., a controlling shareholding in Carraro.

Information provided to the Board

During the course of the 2008 trading period, the Managing Director reported to the Board at least quarterly regarding operations carried out in the exercise of the mandates conferred to him.

5.4. OTHER EXECUTIVE DIRECTORS

On June 26, 2007 the Board appointed Enrico Carraro as Deputy Chairman of the company in order to replace the Chairman in the event of his absence or impediment in presiding over the meetings of the AGM or the Board of Directors. The Deputy is conferred the specific roles of coordination of the Group operations in all New Business, Development, Corporate Image and Communication Initiatives by researching, assessing and developing new strategies and the relative medium and long-term plans to submit to the Board of Directors.

The Deputy Chairman is also assigned the following powers:

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

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

5.5. INDEPENDENT ADMINISTRATORS

Annually the Board assesses the independence of each administrator and any circumstances that could prejudice their autonomous judgement.

Among non-executive administrators, as envisaged by the Self-disciplinary Code and in consideration of the information provided by each administrator, Prof. Giorgio Brunetti, Sergio Erede and Antonio Cortellazzo were independent administrators for the year 2008.

At the meeting of February 20, 2009, the Board made an appraisal of the aforesaid Directors' requisites of independence, after having acquired all information appropriate to support such requisites to each individual. Such an appraisal was also made on the basis of information given by each of them. This verification was carried out by the Board according to the requirements provided by current legislation (article 147-*ter* TUF) and, having more regard to substance than form, to those requirements listed in the Self-disciplinary Code (3.C.1).

To be more specific, please note that Prof. Giorgio Brunetti and Sergio Erede were appointed Directors of the Company for the first time at the AGM held on June 12, 1997 and have been successively confirmed since, the latest occasion being the AGM held on May 11, 2006.

The fact that they have held the role of administrators of the company for more than 9 years out of the last 12 was not considered by the Board as an obstacle to their maintaining the requirements of independence. In actual fact it is considered that their personal and professional characters ensure in any event the maintenance of their autonomy of judgement. Such autonomy is a fundamental element of independence and their remaining in office has allowed them to require profound knowledge of the company and its mechanisms and as such they represent an asset to be maintained.

The Board of Statutory Auditors, within the sphere of the roles attributed to it by law, verified the application of the criteria and the verification procedures adopted by the Board to appraise the independence of its members. It notified its conclusions in its report to the AGM pursuant to article 2429 of the civil code.

- During 2008 the independent administrators met once in the absence of the other administrators, on December 16, 2008.

5.6. LEAD INDEPENDENT DIRECTOR

The Board appointed non-executive independent administrator Dr Antonio Cortellazzo as Lead Independent Director as deemed by the Code, so that he can form a point of reference and coordination for the non-executive administrators' requirements and in particular for the independent administrators.

The Lead Independent Director Antonio Cortellazzo also holds the role of Chairman of the Remuneration Committee and is a member of the Committee for Internal Control.

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

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

documents and information regarding the company, with reference in particular to price sensitive information.

Moreover, following the enactment of European directive 2003/6/EC regarding market abuse, into Italian legislation via Law no. 62/2005, as well as the TUF and the related regulations issued by Consob, Carraro S.p.A. by a resolution of the Board of Directors dated May 11, 2006, adopted a "Procedure for the processing of confidential information", forming a "Register of people who have access to confidential information" and issuing a "Procedure for the maintenance and updating" of this Register. Subsequently on July 24, 2008, the Board determined that this procedure should be brought up to date on the Company management and organisational structure.

The Board of Directors approved the "Internal Dealing Code of Conduct" on December 20, 2002 and determined that it should be updated on March 29, 2006 following the enactment in Italian law of Directive 2003/6/EC with Law no 62/2005 providing legislation on market abuse, which modified the legislative framework for Internal Dealing.

The Code of Conduct on Internal Dealing may be consulted on the company website at the following address: www.carraro.com –Investor Relations – Corporate Governance. The code provides rules on the flows of information relating to transactions or operations put into effect by Significant Entities and by persons strictly associated with the financial instruments issued by Carraro S.p.A..

The post of Chief Financial Officer was identified as the person in charge of receiving, managing and proliferating information relative to operations carried out by Significant Entities. This officer shall ensure compliance as is set out in the Code.

The Significant Entities must notify the officer of operations carried out, on financial instruments issued by the company, by each of them and by persons they

are closely associated with, which exceed Euro 5000 (five thousand) cumulatively over the course of the year, within the notification terms prescribed in the Code.

In this way operations or transactions put into effect by each Significant Entity, their spouses and, if not legally separated, their children, including of the spouse and, if cohabiting for a least one year, by the relatives, parents and kin of the Significant Entities are therefore accounted for. Blocking periods are also 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 the transactions, in other specific periods of the year, by all or some of the Significant Entities.

7. COMMITTEES INTERNAL TO THE BOARD

No committees internal to the Board carrying out the functions of two or more of the committees envisaged in the Code have been incorporated. No committees other than those envisaged by the Code have been incorporated.

On May 11, 2006 the Board deliberated to reincorporate the following committees:

- Internal Auditing Committee;
- Remuneration Committee.

All committees act merely in a consulting role and support the Board in its examinations of the issues under its competence.

Each Committee is supported in the organisation of its meetings by the company officers necessary from time to time. The minutes of the meetings of each Committee are to be compiled.

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

In spite of the Board not having approved a specific budget for each Committee, the Committees may make use from time to time of the financial resources

necessary to carry out their respective roles. Each Committee reports directly to the Board on the operations it has carried out.

8. APPOINTMENTS COMMITTEE

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

9. REMUNERATION COMMITTEE

A Remuneration Committee was formed in compliance with the Self-disciplinary Code adopted by the company, in order to align the remuneration system with the creation of value. The Remuneration Committee consists of two independent directors, Dr Antonio Cortellazzo and Sergio Erede, and one non-executive director Mr Onofrio Tonin, with the aim of advising the Board.

During the course of the trading period the Committee did not make any deliberations on which the necessity arose for the administrators to abstain.

In general terms administrators' remuneration is proportional to the responsibilities and mandates assigned to them, and in consideration of the aspect of the area of operations and the complexity of the Company and the group. Other aspects are the professional qualities of the individual, without excluding the objective of creating value for shareholders over the medium-and long term.

During the course of 2008, the Remuneration Committee met twice to examine and propose to the Board of Directors, having heard the opinion of the Board of statutory auditors, the total amount of emoluments to be attributed to the administrators, which was consequently approved by the AGM. The Board, again on the Remuneration Committee's advice, defines the allocation of the total settlement among the individual members.

The meetings of the Remuneration Committee are appropriately recorded.

In carrying out its roles, the Remuneration Committee has had access to the necessary information and company offices as well as making use of external consultants, under the terms set out by the Board.

No financial resources were designated to the Remuneration Committee as in carrying out its roles, it makes use of company means and offices.

10. ADMINISTRATOR REMUNERATION

The remuneration of administrators having specific offices and those forming part of the committees reporting to the Board was set by the Board of Directors on the advice of the Remuneration Committee, having heard the opinion of the Board of statutory auditors.

Currently the Chairman alone is paid a set fee. It was not considered appropriate to link the Chairman's remuneration to the results of the company in consideration of the nature of the roles attributed to him, not associated with front-line operations.

The Managing Director is however paid a variable fee, on top of a fixed amount, associated with the achievement of short and medium term targets set by the Board of Directors, on the advice of the Remuneration Committee. A shareholder incentive programme was not provided for administrators and managers with strategic responsibilities.

The remuneration of non-executive administrators is not linked to the financial results achieved by the company. The following table provides an illustration of the emoluments received by administrators and auditors.

NAME	DESCRIPTION OF OFFICE	FEES Euro/000
------	-----------------------	------------------

Family name/first name	Company	Position held	Term of office	2008
Carraro Mario	Carraro S.p.A.	Chairman	Three-year period 2006-2008 (from AGM May 11, 06)	900.0
Borsari Carlo	Carraro S.p.A.	Managing Director	Three-year period 2006-2008 (from AGM May 11, 06)	Employee sal. 486.0 Adm.tor fee 470.0
Carraro Francesco	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	50.0
Carraro Enrico	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	220.0
Carraro Tomaso	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	200.0
Tonin Onofrio	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	105.0
Brunetti Giorgio	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	95.0
Erede Sergio	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	60.0
Cortellazzo Antonio	Carraro S.p.A.	Director	Three-year period 2006-2008 (from AGM May 11, 06)	93.5
Saccomani Roberto	Carraro S.p.A.	Chairman of the Board of Statutory Auditors	Three-year period 2006-2008 (from AGM May 11, 06)	24.9
Secchieri Francesco	Carraro S.p.A.	Statutory Auditor	Three-year period 2006-2008 (from AGM May 11, 06)	16.6
Meo Federico	Carraro S.p.A.	Statutory Auditor	Three-year period 2006-2008 (from AGM May 11, 06)	16.6

11. INTERNAL AUDITING COMMITTEE

On May 11, 2006 the Board formed an Internal Auditing Committee for its own scrutiny. The Internal Auditing Committee consists of three administrators of which two, Prof. Giorgio Brunetti and Dr Antonio Cortellazzo are independent and one, Mr Onofrio Tonin, is non-executive. Prof. Brunetti is the Chairman of the Internal Auditing Committee. The current composition of the Committee is in line with the recommendations of the Code that prescribes that at least one member has financial and accounting experience.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor, designated by the Chairman, participates in the Committee's meetings, which take place at least quarterly. The person in charge of internal auditing and auditing the employees of the Company is from time to time invited by the Committee as necessary to deliberate the items on the agenda. The proceedings of each meeting are recorded in the minutes. In carrying out its roles, the Internal Auditing Committee has the facility to access the necessary information and company offices as well as to make use of external consultants, under the terms set out by the Board. No financial resources are designated to the Internal Auditing Committee as in carrying out its roles; it makes use of company means and offices.

Roles attributed to the internal auditing committee

The Internal Auditing Committee provides the board with advice and more specifically it has the following roles:

- supporting the Board in carrying out its roles with regard to internal control matters assigned to it by the Code;
- assessing, together with the person in charge of the compilation of the company account books and the auditors, compliance with accounting principles and, in the case of the group, their homogeneity for the purposes of the compilation of consolidated financial statements;
- providing an opinion, on the request of the relative executive administrator, on the specific aspects inherent in the identification of key corporate risks, as well as the planning, creation and management of the internal auditing system;
- scrutinising the programme prepared by the persons in charge of internal auditing as well as their periodic reports;
- assessing the programme set out for auditing and the results illustrated in the report and in any management letters;
- monitoring the efficacy of the accounts auditing process;

- reporting to the Board at least half-yearly, for the approval of the financial statements and the half-year the report, on operations carried out as well as the adequacy of the internal auditing system;

The Internal Auditing Committee met regularly both to discuss *institutional* issues and to examine the processes for auditing management and control systems aimed at compliance with the new standards of corporate governance in a total of 8 meetings during 2008. Each meeting enjoyed the attendance of all of its members, and the Chairman of the Board of statutory auditors and another auditor delegated by him, when not the entire board of statutory auditors, and the person responsible for Internal Auditing. Other interested managers or offices or part thereof of the company also attended from time to time for the issues being discussed, such as the manager of the legal office or the head of administration. In addition the Managing Director always attended, in his capacity as the executive administrator for internal auditing, and the head of administration, finance and control, also in his capacity as the person in charge of the compilation of the accounts and corporate documents. Also attending the meetings were the auditing company and the external consultants for their related issues.

The matters discussed with the relative opinions, recommendations and deliberations on issues of information and consulting operations for the board of directors, were as follows:

- a) Issues of a legislative and managerial nature:
 - i. Organisation, management and control Model *ex* legislative decree 231/2001;
 - Process for the management of the Model:
 - examination of the state of progress of the action plan for the organisational, procedural and legal modifications required by the Model;
 - O.d.V. operations (flow of information and notifications, auditing operations carried out by the O.d.V.);

- assessment of the Model's adequacy:
 - analysis of the outcomes of the risk assessment on safety in the workplace carried out at the Carraro S.p.A. sites (following the new regulations introduced by legislative decree 81/2008) and the updated Model that enacted them;
 - initiation of the process of additional integration of risk assessment and the Model in relation to additional new types of crime (articles 25-*octies*, "anti-money laundering" and 24-*bis* "IT crime");
 - preliminary analysis to illustrate possible routes to extend the Code of Ethics and the Management Model to other companies of the Group.
 - ii. Plans for the auditing of procedures monitoring the key corporate cycles implemented following the new legislation introduced by the updated Law 262/2005 ("Investment Act");
 - iii. Advancement and impact of the "Market Regulations" legislation (articles 36 and 39) on the group.
 - iv. Situation and outlook for IT systems within the group and the inter-relationship with the internal auditing system.
- b) Issues of an institutional nature:
- aspects emerging from the auditing of the consolidated half yearly report as at June 30, 2008 during the specific meetings held with the auditing company;
 - scrutiny of the framework of positions assigned to the auditing company by the companies of the group;
 - scrutiny and approval of the audit plan for 2008-2009.

The auditing activities carried out focused on the following themes as illustrated in points i) and ii) cited above:

i) Management Model *ex* legislative decree 231/2001

The Committee continually monitored the process of the Management and Updating of the Management Model for the company according to the instructions

in legislative decree 231/2001, based on the information obtained from the Monitoring Body and to the verifications carried out on the relative outcomes. It also analysed the needs to update the Model according to the new regulations and Organisation put into effect.

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

The Auditing Committee also completed the operation for scrutinising the state of advancement of the auditing process and the verification of the adequacy of the procedures relating to the key company cycles (so-called "project 262"), which the company carried out with the technical support of a primary consulting company, by examining the final results of the project and the consequent areas of improvement.

The work was carried out using analysis of the risks inherent in the process, and significant operations and controls (so-called "key controls") in being to monitor the identified risks. The controls were described, defined in terms of qualitative and quantitative aspects and subject to evaluation in terms of the evident efficacy and adequacy. Tests were subsequently developed on such controls that gave a positive or negative outcome.

12. INTERNAL CONTROL SYSTEM

The Board defined strategies for the internal control system, so that the key risks relating to the company and its subsidiaries get correctly identified and adequately measured, managed and monitored, by determining compatibility criteria for these risks with prudent and correct management of the company.

Via an appropriate process for the control and management of key risks, the internal control system has the following purpose:

- 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 with the auditing company are supported by appropriate examination. This activity is assigned typically to the Internal Auditing Committee which systematically deals with issues directly or indirectly relating to internal control, including the verification of the correct application of the established accounting principles including via meetings and exchanges of information with the auditing company. The outcomes of these activities are reported to the Board of Directors.

The company's internal auditing system is currently divided, in terms of the key corporate cycles, into control "lines", or allocated into their procedures that govern the cycles, and into administrative and management controls. The controls have an automatic form, where the procedures are broadly automated, and a manual form. The latter include supervision and monitoring of management, or high-level controls aimed at identifying and understanding the more significant phenomena or anomalies.

During the Course of the Trading Period the Internal Auditing Committee referred regularly to the Board on the work of the Committee, on the outcome of the verifications carried out and the function of the internal control system illustrating how it was largely congruent in comparison with the current dimensions and organisational structure of the company and that it was appropriate to enable achieving corporate objectives.

12.1. EXECUTIVE ADMINISTRATOR IN CHARGE OF THE INTERNAL AUDITING SYSTEM

With effect from February 22, 2007 the Managing Director, Carlo Borsari, was designated by the Board as executive administrator in charge of supervising the function of the internal auditing system. As such he carried out the following roles:

- 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 subcommittees;

- b) putting into effect the strategies defined by the Board, planning, creating and managing the internal auditing system, constantly verifying 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 officers in charge of internal auditing.

12.2. PERSON IN CHARGE OF INTERNAL AUDITING

The office for internal auditing is assigned to the manager of Internal Auditing. The remuneration was defined by the company management.

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

The person in charge of internal auditing:

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

The financial resources made available to the person in charge of internal auditing in order to carry out his roles for the trading period amounted to Euro 135,000.

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

Carraro formed an *internal audit* office. This office is independent from any other company function and reports to the Board of Directors, typically via the Internal Auditing Committee, and to the executive administrator in charge of supervising the function of the internal auditing system.

12.3. MANAGEMENT MODEL *ex* legislative decree 231/2001

On March 29, 2007 the Board of Directors deliberated to adopt a Management Model pursuant to legislative decree 231/2001, thereby implementing and formalising a Management structure continually updated and already in existence in the Company. We would like to point out furthermore how this adoption took place on the conclusion of a project for the assessment of risks relating to the cases envisaged by the decree, analysis of the company procedures evidencing the weaknesses and the areas of improvement and the consequent programme of adjustment.

As regards the crimes, whose commission companies are liable for, the Decree considers crimes committed in dealings with Public Administration, corporate crimes, the counterfeiting of money in credit cards and stamps, crimes committed for the purposes of terrorism and the breakdown of democratic order, crimes against the individual and lastly crimes of abuse of confidential information and market manipulation, as well as international crimes disciplined by Law no 146/2006.

During the course of the 2008 period the operation for the integration of the Carraro Management Model was completed in terms of the expansion of the range of crimes, with particular reference to Law 123/07 that introduces corporate liability for crimes committed in violation of health and safety legislation (Law 626/94, legislative decree 81/2008). The Board of Directors approved the updated version of the Model on December 16, 2008. On the same date moreover it was resolved to adopt the Group's Code of Ethics.

Compliance with the Carraro S.p.A. Model was placed by the Board under the control of the Monitoring Body, a committee having autonomous powers of initiative and self-auditing.

This body consists of an Independent Administrator, the Person in Charge of Internal Auditing and the Legal Affairs Manager.

The Code of Ethics may be consulted on the company Web site: www.carraro.com – Investor Relations – Corporate Governance.

12.4. AUDITING COMPANY

The law prescribes that during the course of a trading period an independent auditing company should check the company account books are kept correctly, facts are recorded accurately, and that the financial statements and the consolidated group financial statements correspond to the entries in the account books and the verifications carried out, as well as compliance with the relative legislation.

Via the deliberations of the AGM on May 15, 2007, the Company resolved to assign the auditing to PricewaterhouseCoopers S.p.A. for the certification of the financial statements relating to the nine-year period 2007/2015, as prescribed by legislative decree 303/06.

12.5. PERSON IN CHARGE OF THE COMPILATION OF THE COMPANY ACCOUNT DOCUMENTS

Enrico Gomiero, Chief Financial Officer, was appointed person in charge of the compilation of the company account documents, on June 26, 2007.

The Internal Auditing Committee, together with the Board of statutory auditors proposed the appointment of the Chief Financial Officer as the Person in charge of the compilation of the company account 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, through posts already held, qualifications and the responsibilities inherent therein.

Moreover the Board resolved that the Person in charge of carrying out the roles assigned will be provided with the financial and human resources as envisaged by the annual budget compiled by the Person in charge and approved by the Board of Directors. In any event the facility is assured for the Person in charge to adopt any initiative required by urgent and contingent situations, which would go over the approved budget, provided that the Board is immediately informed at the next meeting.

The person in charge, (i) where necessary and appropriate, may make use of the collaboration of other officers other than those structured as company managers, for carrying out the role in accordance with the methods that will be agreed with the same and (ii) has the authority and the duty to direct subsidiary companies, within the limits of the determinations made by their company bodies and the responsibilities that each of these have, to adopt any action, procedure, conduct considered appropriate and such as to enable the same Person in charge to be able to carry out the roles assigned to him and envisaged by Law 262/2005.

13. ADMINISTRATORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In 2006 the Board adopted a Procedure for the Approval of Transactions with Related Parties whose entire text may be consulted on the Web site: www.carraro.com – Investor Relations – Corporate Governance, amended in comparison with the previous version, also following the adoption of IFRS accounting principles.

More specifically, guidelines and criteria were identified for the identification of the key Transactions with Related Parties and the procedure for the preventative information and approval by the Board of Directors of transactions with related parties, on the advice of the Internal Auditing Committee.

For the above purposes the Board deems that operations or transactions where an administrator has an interest, on his own behalf or on behalf of third parties, and those put into effect with related parties are carried out transparently and in compliance with procedural and accuracy criteria.

14. APPOINTMENT OF STATUTORY AUDITORS

The Company's articles of association prescribes that the Board of statutory auditors consists of three statutory auditors and two alternate auditors appointed by the AGM by means of a list voting system, to ensure minorities appoint a Statutory Auditor and an Alternate Auditor.

Only shareholders are entitled to present lists that by themselves or together with other shareholders are the holders of stock representing at least 2.5% of the share capital having voting rights in the ordinary AGM, or are representative of a different percentage that may be set out or prescribed by law or regulations.

The lists presented by Shareholders should be presented to the headquarters of the Company least 15 days prior to the date set for the AGM on the first occasion or, in specific cases up to the fifth day following that date.

For additional methods and the legitimate presentation of the lists the provisions of the TUF, Consob Regulations for Issuers and article 30 of the company articles of association shall apply.

Together with each list, declarations with which the individual candidates accept the nomination must be presented and published, declaring under their own responsibility, that there are no causes prejudicing their electability and compatibility and they have the requirements prescribed for the respective roles.

Each candidate must deposit a résumé of his or her personal and professional characteristics alongside the declarations.

Auditors are selected from people qualified as independent, including according to the criteria prescribed by the Code for Administrators. The Board examines the compliance with set criteria after the appointment and annually thereafter.

Auditors may not be elected, and if elected will be dismissed, if pursuant to law or regulations they fall under criteria that makes them unelectable or if they do not have the necessary requirements.

The chair of the Board of statutory auditors falls to the statutory member having obtained the greatest number of votes drawn from the second list.

15. AUDITORS

The Board of statutory auditors monitors compliance with the law and the articles of association and has a management control function.

The current Board was appointed by the AGM of May 11, 2006 and expires on the AGM for the approval of the 2008 financial statements. There are no auditors elected by minority shareholders on the Board, as only one single list was presented for election.

The auditors in office are in possession of the criteria of independence required by law for auditors and also those criteria prescribed by the Code for the administrators.

The Board of statutory auditors verified the criteria of independence of its members by applying all the methods prescribed by the Code. More specifically, including pursuant to article 144-*decies* Issuers' Regulations, we can specify that:

- all members of the body of control in office have confirmed the existence of the legal requirements for the purposes of maintaining their office;
- they have provided and confirmed their personal and professional characteristics notified upon accepting their nomination;
- they have informed of all administration and auditing posts held, as also indicated in the appendix to the report of the Board of statutory auditors *ex* article 153 TUF and notified to Consob pursuant to article 144-*quaterdecies* of the Issuers' Regulations.

During the course of 2008 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 operation or transaction.

The exchange of information between the Board of statutory auditors and the Internal Auditing Committee takes place via the systematic participation of the Chairman of the Board of statutory auditors or an Auditor designated by the same at the meetings of the Committee.

The Board of statutory auditors, in office at the date of this Report, as appointed by the AGM on the May 11, 2006 until the approval of the financial statements for the trading period to December 31, 2008, is made up as follows:

Name	Office	In post since	List	Indep. ex Code	% attendance at meetings	Other posts
Saccomani Roberto	Chairman	May 11, 2006	M	X	100%	19
Secchieri Francesco	Statutory Auditor	May 11, 2006	M	X	100%	28
Meo Federico	Statutory Auditor	May 11, 2006	M	X	100%	16

LEGEND

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

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

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

No auditor's post was dismissed during the course of the trading period.

No changes in the composition of the board of statutory auditors have been put into effect since the date of the closure of the trading period.

The board of statutory auditors held a total number of 11 meetings during the course of the trading period.

16. INVESTOR RELATIONS

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

The Company recently updated its Web site, modifying it both in terms of general structure and by adding 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 be fully aware of their rights.

The company makes quarterly reports available to the public, as well as half yearly reports, company and consolidated financial statements. The AGM, participation in 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 Group Chief Financial Officer, Enrico Gomiero.

17. MEETINGS OF SHAREHOLDERS

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

As it stands the Board is not intending to submit to the AGM a proposal for a regulation that prescribes that the Chairman of the AGM, whose role is already to regulate the AGM procedure, shall ensure it is legitimately held.

Each shareholder will always be assured the right to intervene in the items under discussion.

The Board reported to the AGM on operations carried out and scheduled, by responding to specific questions posed by the shareholders. The Board assured the shareholders adequate information regarding the required elements so that they could take, with full understanding of the situation, the decisions to be made by the AGM.

Please note that there were no significant variations to the market capitalisation of the Company, or to the composition of the company objects such as to make it necessary to propose amendments to the articles of association to the AGM relative to the percentages set out for the exercise of the prerogatives put in place to protect minority shareholders. Please note that in application of article 144-*quater* of the Consob Regulations for Issuers no. 11971/1999, for the presentation of lists for the appointment of members of the Board and the Board of statutory auditors, articles 21 and 24.1 of the articles of association of the company require that the percentage threshold of 2.5% of share capital with voting rights or the different measure required by the Consob regulations, which will be indicated in the notification of the AGM.

18. 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 relative sections.

Appendix to the Corporate Governance report: personal and professional characteristics of the company administrators

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 a strong impetus to the development of the industrial side of the family 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 the transmission systems of both on and off-road vehicles. During the 80s Mario Carraro initiated the formation of the Carraro Group, which he did via acquisitions and 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 April 17, 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 held the mandate for the New Business Development initiatives, under which he coordinated the research, evaluation and definition of new businesses, and the relative development programmes over the medium and long term.

Tomaso Carraro

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

Officer of the Carraro Group. In 2007 he was appointed Chairman and Managing Director of Gear World, the new leading company of the group already operating in the transmission industry, together with the newly acquired miniGears SpA.

Carlo Borsari

From Modena, born in 1953, Carlo Borsari has gained over the years a great deal of experience in the industrial sector, in particular in multinational companies. He worked for Fiat Trattori (Fiat tractors) for 11 years, now CNH, where he held Quality and Technology roles with increasing responsibility before then becoming Manager of the Jesi site (Ancona) and subsequently in Modena. From 1992 to 1995 he was Manufacturing Manager at Lombardini Motori (Reggio Emilia), before arriving at Carraro. During this period he held the role of Operations Manager and subsequently, had responsibility for the Axle and Transmission division. Subsequently, from 1998 to 2005, he was first General Manager and then Managing Director of the SIT Group, the global market leader in control systems for gas heating equipment. He has held the role of Managing Director of the Carraro Group since January 2006.

Giorgio Brunetti

Born in Venice in 1937, Giorgio Brunetti graduated in Economics and Commerce from Università Cà Foscari in Venice with a diploma in Corporate Organisation from Centro Universitario di Organizzazione Aziendale (CUOA) of the Engineering Faculty of the University of Padua. He began his academic career as an assistant at Cà Foscari, before then becoming professor of Business Economics in 1978. In 1992 he was called to hold the Business Economics chair at Università Commerciale Luigi Bocconi in Milan. He is currently Professor of Business Strategy and Policy at the same university, and Chairman of the Enterprise and Entrepreneurial Research Centre. Giorgio Brunetti is also a director of Autogrill SpA, Benetton SpA, Messaggerie Italiane SpA, as well as being an accounts auditor for *Energia e il Gas*.

Antonio Cortellazzo

Antonio Cortellazzo (born in Este (Pd), in 1937) has been a Chartered Accountant since 1967 and a registered Accounts Auditor. 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 *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 of numerous companies including Benetton Group SpA, Fidia Finanziaria SpA, Net Engineering SpA, Olimpias SpA, Pagnan Finanziaria SpA, NEM DUE SGR SpA and Schematrentaquattro Srl.

Sergio Erede

Sergio Erede is a founder member of the law firm Bonelli Erede Pappalardo and works at the Milan offices. He graduated with a *magna cum laude* degree from the state university in Milan in 1962 and completed a Master of Laws at Harvard Law School in 1964. He worked with Hale & Door in Boston between 1963 and 1964, and then with Sullivan & Cromwell in New York. He headed the legal office of IBM Italia from 1965 to 1969. The company he founded in 1995, Erede e Associati, was known largely for its M & A operations and securities operations. As well as his legal career as a barrister, Sergio Erede is a member of the Board of Directors of many companies, mostly listed on the stock exchange, including Marzotto SpA, Luxottica Group SpA, Banca Nazionale del Lavoro SpA, Interpump Group SpA, Manuli Rubber Industries SpA, Gruppo Editoriale l'Espresso SpA, Società Italo Britannica L. Manetti – H. Roberts, AON Italia SpA and Gruppo IPG Holding Srl.

Onofrio Tonin

Born in Santa Giustina in Colle (Pd) on January 26, 1939, Onofrio Tonin came to Carraro in 1956, working in manufacturing planning. He implemented various projects for the restructuring of the manufacturing at the plant in Campodesargo, expanding his roles to management control. He progressively took on an ever more specific role in the structuring of an EDP complex, and at the same time he became the head of the Finance and Control office. Via this role he actively took part in the strategy that led to Carraro's listing on the Milan stock exchange. He left the position of Finance Director in January 1997, maintaining a directorship of Carraro SpA.