



The impact of finance on governance in
the manufacturing and services industries

Track A



The impact of finance on governance in the manufacturing and services industries

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Fiat Finance S.p.A. - SVP Treasury





Summary

- ❖ **Fiat Group at a glance**
- ❖ **Fiat Treasury organization**
- ❖ **Treasury managed risks and governance**
 - Liquidity Risk management
 - Financial Risks management
 - Foreign Exchange Risk
 - Interest Rate Risk
 - Operational Risk management
 - Commercial payments
 - Financial payments
 - Credit Risk management
- ❖ **Fiat Group Corporate Governance model**



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Fiat Group at a glance

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2008 Fiat Group at a Glance

Net Revenues: €59.4bn
Headcount: 198K

Revenues *: €29.2bn
Headcount: 56.4K



Revenues *: €12.7bn
Headcount: 31.5K



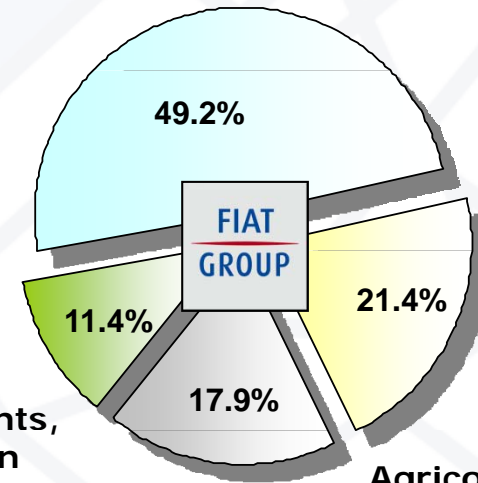
Revenues *: €10.7bn
Headcount: 27.1K



Revenues *: €6.8bn
Headcount: 83.3K



Automobiles



Components,
Production
Systems &
Others

Agricultural &
Construction
Equipment

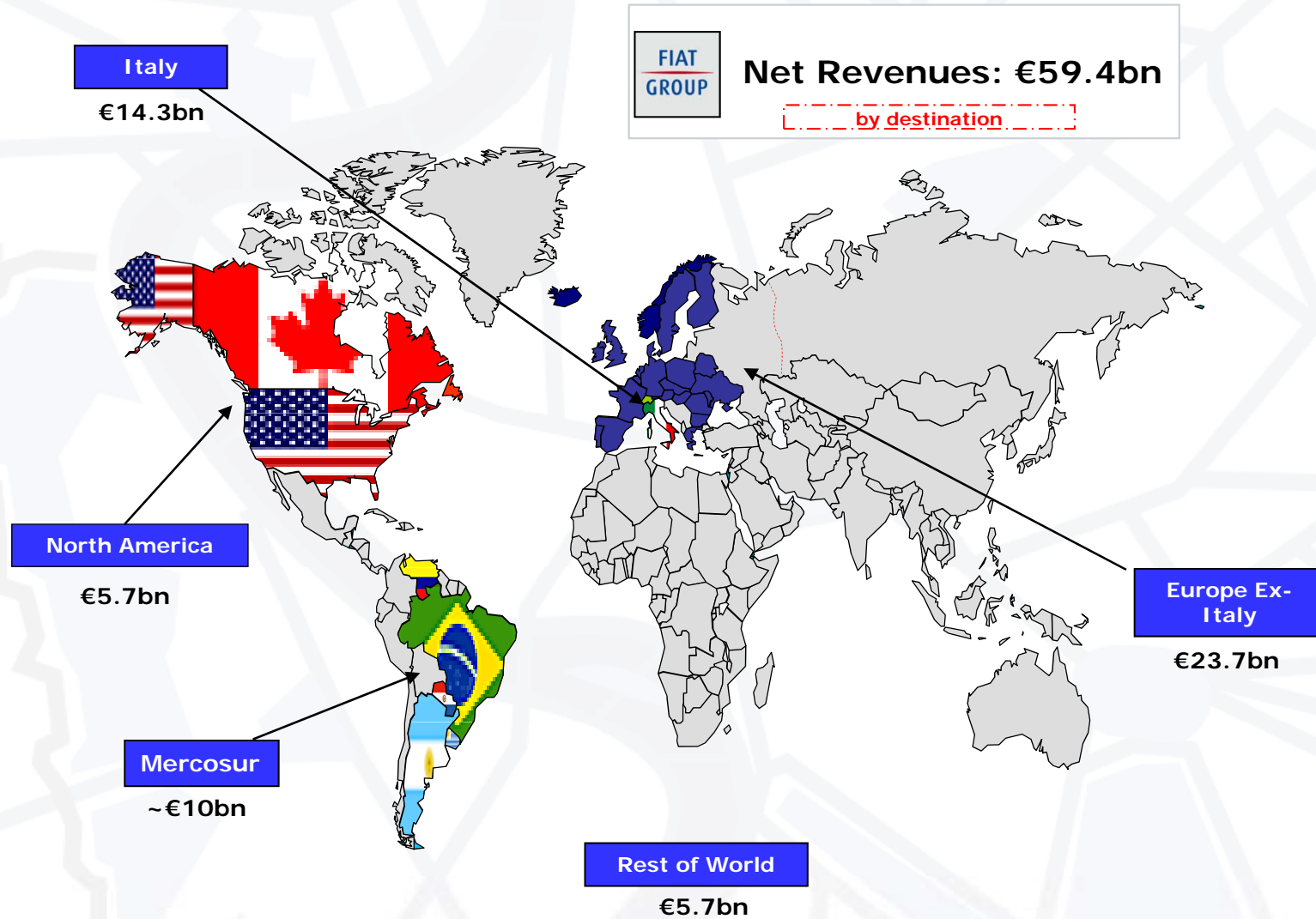
Trucks & Commercial
Vehicles

* Revenues from external customers





2008 Fiat Group – Net Revenues by destination





2008 Fiat Group – Selected data by Region

	Number of Companies	Employees	Facilities	R&D Centres	Revenues by destination (€bn)	%
Italy	145	82.371	70	50	14,3	24%
Europe (ex. Italy)	274	50.159	62	33	23,7	40%
North America	70	12.305	19	15	5,7	10%
Mercosur	33	43.042	27	10	10,0	17%
Other regions	111	10.471	25	10	5,7	10%
	633	198.348	203	118	59,4	



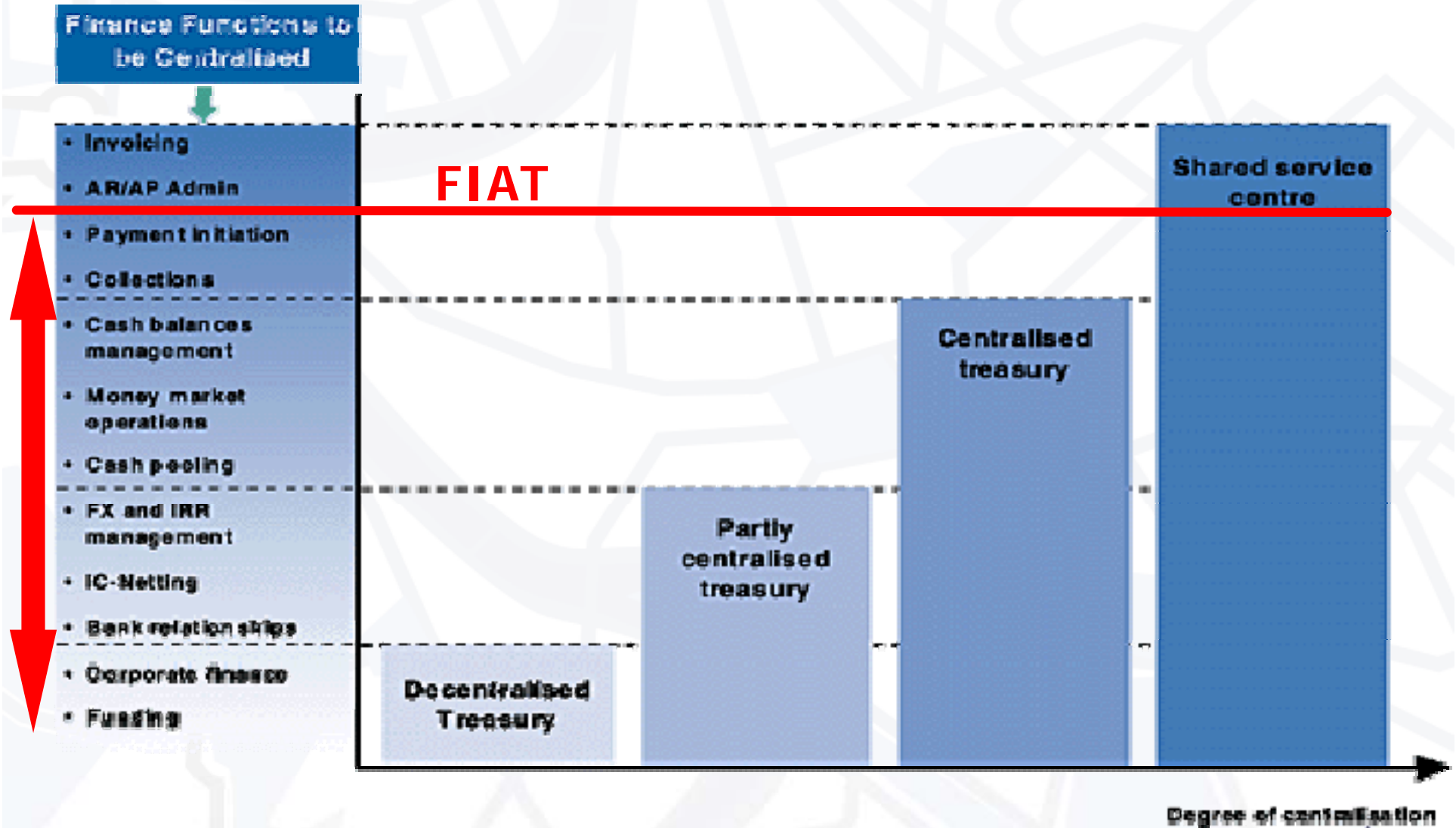


Fiat Treasury organization





Treasury in Fiat – A Centralized Model





Rationale for centralization

Treasury in Fiat is managed in a highly centralized fashion:

- **Efficient utilization of cash-flows**
- **Increasing negotiating power**
- **Standardization of documentation**
- **Economies of scale / cost reduction**
- **Effective coordination and control**
- **Development of financial skills**





Centralized Treasury – Main Activities

- **Planning and management of Fiat Group**
 - Funding/Financial needs planning
 - Cash Management/Working Capital management
 - Payment/Collection governance
 - Credit risk management
 - Liquidity Investments
 - Financial Risk Management

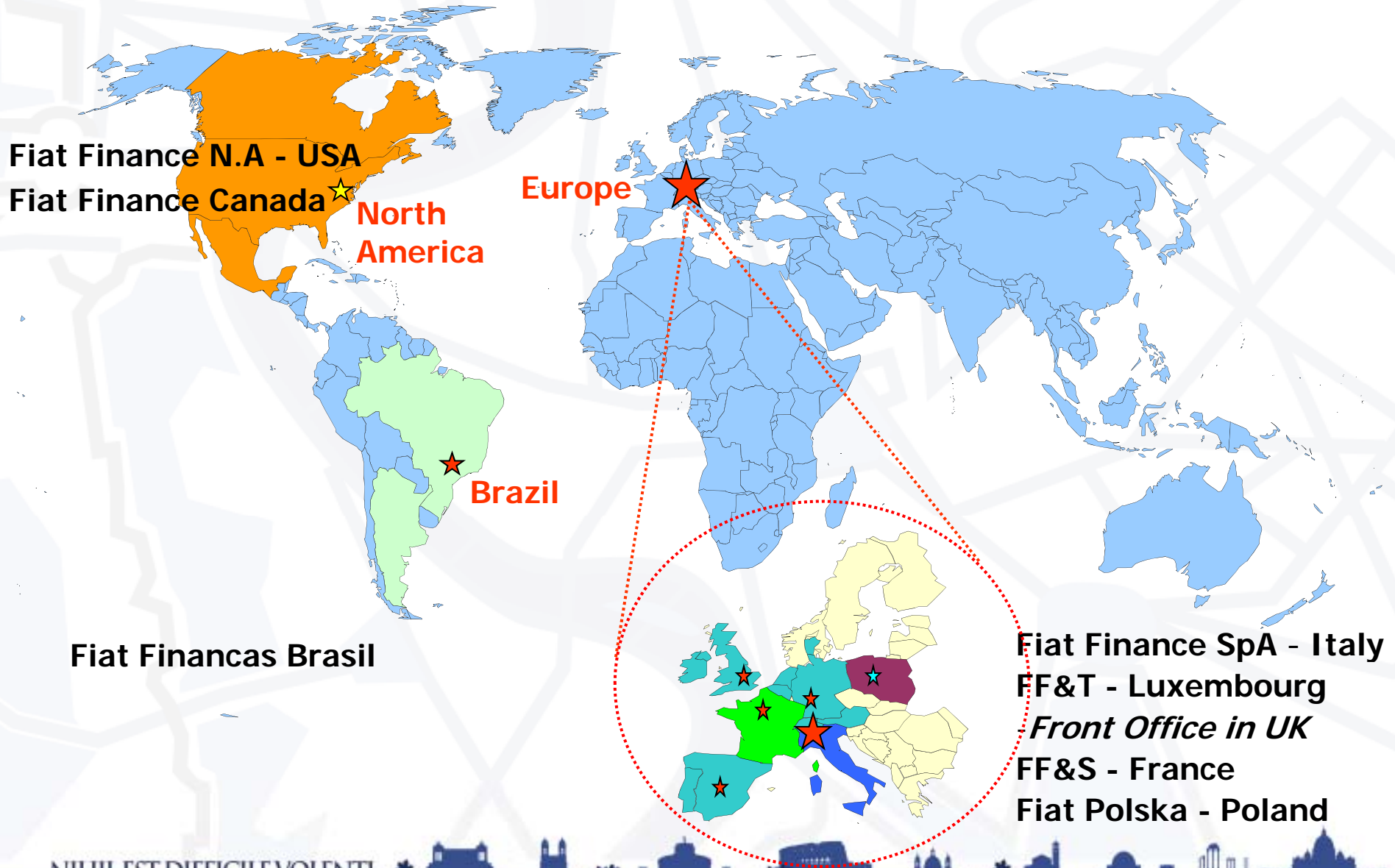
- **Direct responsibility for relations with**
 - Banks
 - Institutional Investors and Financial Analysts
 - Rating Agencies

- **Control and Reporting of Sectors financial structure**





Central and Regional Treasuries – Geographical presence





Gross Debt & Net Debt Breakdown – Sept. 30, '09

(€bn)

Gross Debt*	25.9	13.2	12.7
Derivatives M-to-M, Net	(0.1)	(0.1)	-
Cash & Mktable Securities	(8.4)	(7.3)	(1.1)
Net Debt	17.4	5.8	11.6

* Net of intersegment receivables

	Outstanding Sept. 30, '09
Cash Maturities	19.3
Bank Debt	8.2
Capital Market**	9.8
Other Debt	1.3
Securitization and Sale of Rec. (on book)	6.5
ABS / Securitization	4.0
Warehouse Facilities	0.9
Sale of Receivables	1.6
Adj. for Hedge Acc. on Fin. Payables	0.1
Gross Debt	25.9
Cash & Mktable Securities	8.4
Derivatives Fair Value	0.1
Net Debt	17.4

** Excluding Bond fair value, including interest accruals





Outstanding derivatives as at Dec. 31, '08 (€bn)

	Notional Amount
Currency risk	11,8
Interest Rate risk	11,4
Interest Rate and Currency risk	1,0
Others	0,3
	<hr/> <hr/>
	24,5

Derivatives are used only for managing the exposure to fluctuation in FX and interest rates connected with assets and liabilities and future cash flows and not for speculative purposes.



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Treasury managed risks and governance

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Treasury managed risks and governance

Liquidity Risk Management





Liquidity Risk Management

Priority of Liquidity Risk Management is to guarantee the ability of the Group to meet financial requirements of operating activities and cover development plans.

At this purpose Fiat Treasury acts:

- in cooperation with Group Control,
- monitoring Financial Markets,
- managing relationship with:
 - ✓ Banks
 - ✓ Investors
 - ✓ Rating Agencies

in order to optimize funding activity, liquidity investments and cash management.





Liquidity Risk Management

- ❖ Constant monitoring of Group economic and financial trends, involving Group Control, Business Sectors CFO and Group Treasury
 - budgeting and reforecasting cycle
 - monthly actuals
- ❖ Constant monitoring of Financial Markets
- ❖ Constant relationship with Banks, Investors and Rating Agencies
- ❖ Diversification of the sources of funding
 - By instrument
 - By market
 - By maturity
- ❖ Funding planned in advance compared to maturities/requirements
- ❖ Maintaining a structural reserve of cash available





Debt Maturity Schedule (€bn)

Outstanding Sept. 30, '09		Next 12 M	3 M '09	2010	2011	2012	2013	Beyond
8.2	Bank Debt	3.9	1.7	2.6	1.6	1.4	0.6	0.3
9.8	Capital Market *	1.3	0.2	1.3	2.5	1.3	1.7	2.8
1.3	Other Debt	0.9	0.9	0.1	-	-	-	0.3
19.3	Total Cash Maturities	6.1	2.8	4.0	4.1	2.7	2.3	3.4
8.4	Cash & Mktable Securities							
0.5	<i>of which ABS related</i>							
4.3	Sale of Receivables (IFRS de-recognition compliant)							
2.8	<i>of which receivables sold to financial services JVs (FGA Capital, Iveco Finance Holdings Ltd)</i>							

* Excluding Bond fair value, including interest accruals

Regained access
to US & EU bond markets
with 3 successful &
oversubscribed issues in Q3

Liquidity substantially
improved to €8.4bn
(+€2bn over June-end level)

Cash & marketable
securities cover contractual
maturities well beyond 2010





Funding guidelines

- **“Multi-bank centralized approach”**
 - **Enhancement of Group “Bargaining Power”**
 - **Monitoring of counterparty “exposures”**
 - **Mandates and commitments allocation**
- **Negotiation and standardization of documentation**
- **Governance of support issues**
- **Central management of Capital Market Funding**
- **Support to business development in emerging countries, expanding relationship with local institution when appropriate (e.g. Brazil, Poland)**
- **Trade & project finance**





Treasury Reporting within Group Reporting System

Centralized Treasury Model requires adequate availability of INFORMATION:

External

- Markets (FX, Int. Rates etc.)
- Compliance / Rules
- Economics/politics
- Etc.

Sector Business Evolution

- P&L
- B/S
- Cash flows

Specific

Information Providers

- ✓ Reuters/Bloomberg
- ✓ Specialized publishing
- ✓ Etc.

Financial Reporting

- ✓ Actuals
- ✓ Budget / Plan
- ✓ Forecasts

Group Treasury Reporting

- ✓ Actuals
- ✓ Cash Flows
- ✓ Maturity Schedules



GTR – Group Treasury Reporting

“WEB based” procedure tracking on a monthly basis for each legal entity and for the whole Group:

1. Major contractual and accounting data (original currency, maturity, interest rates, guarantees etc.) for each outstanding transaction:
 - Cash, investments and borrowings vs banks/third parties and Group co's;
 - Sale of receivables (factoring, securitizations, with or w/o recourse, trade finance)
 - Derivatives and related purposes
 - Committed and uncommitted credit lines
 - Financial supports (pledges, guarantees, bonds, confort letters etc.)
2. Forecasted cash flow (with rolling horizon), supporting s/t Treasury planning

Is part of documentation for Fiat Consolidated Financial Statements disclosures (IFRS compliant), with specific reference to debt breakdown (accounting classes, original currencies, interest rates, maturity).

Is audited by external auditors and is relevant for ICFR purposes.





Liquidity Investment Policy

Investment must satisfy the following fundamental principles:

- safety of principal
- liquidity
- deductibility from Gross Debt
- yield





Liquidity Risk Management – Credit Risk Management

Requirement of Liquidity

The maximum residual term of each investment is:

- 12 months for corporate risk;
- 18 months for fixed-rate sovereign risk;
- 60 months for variable rate sovereign risk or fixed rate swapped into variable rate through derivatives.

Credit Risk Management

Investment must be rated at least by one of the leading agencies (Moody's, S&P's, Fitch) and must have the following minimum rating

	Short-term (periods less than 12 months)	Medium-long term
Moody's	P2	A3
S&P's	A2	A-
Fitch	F2	A-

- Asset Backed CP, the minimum rating is: P1/A1/F1
- Liquidity Funds, the minimum rating is: Aa2/AA/AA





Liquidity Risk Management – Portfolio Diversification

- **Listed or marketable securities:** no more than 5% of the par value of a specific issue.
- **Liquidity Funds:** no more than 10% of the NAV of a specific Fund.
- **Non-marketable instruments (i.e. Bank Depo):**

for each Bank Group a maximum amount to invest and maximum tenor of investment is determined according to Rating: A1 / P1 / F1 or A2 / P2 / F2.

In case of split rating, the lower rating is applied.

If the limits are exceeded due to changes in market prices, the investments will be reduced to below the limits over time by not renewing the maturities of the outstanding positions.

If the limits are exceeded due to any downgrade below the minimum rating, times and procedures for divestment must be agreed with Fiat Finance.

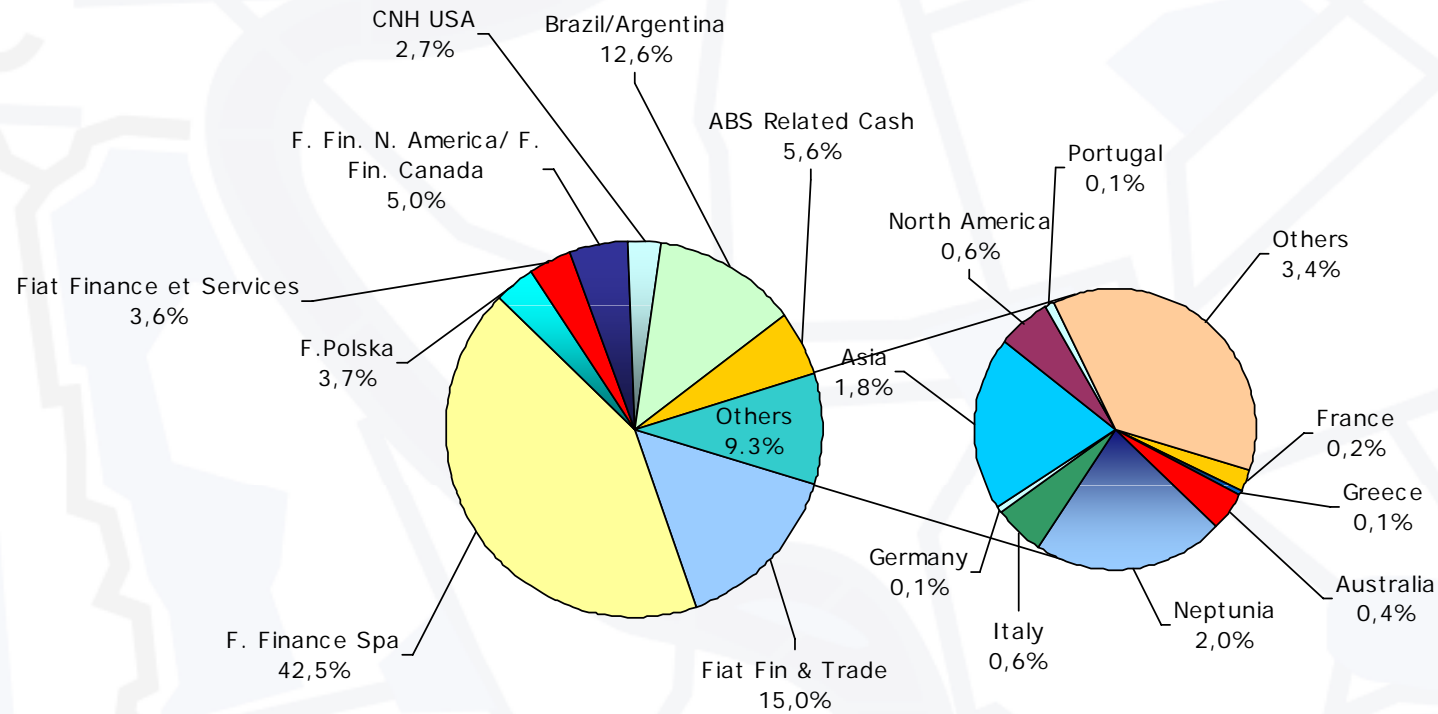
For Brazil and Emerging Markets tighter limits are applied





Liquidity Investments Breakdown by Holder – Sep. 30, '09

Total: € 8.4 bn*



* Including € 0.5 bn of ABS related cash

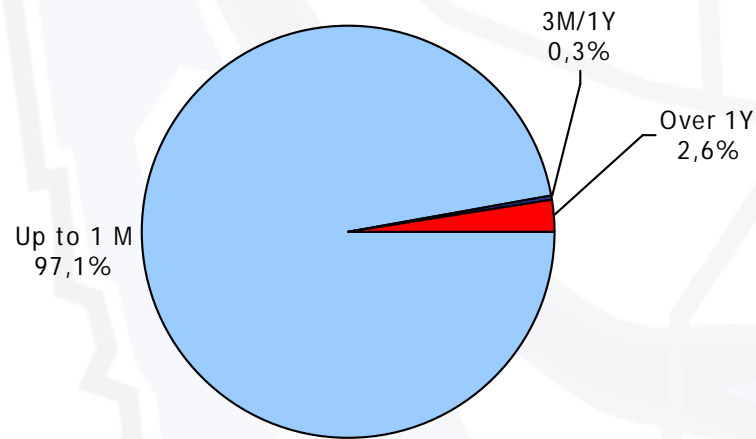




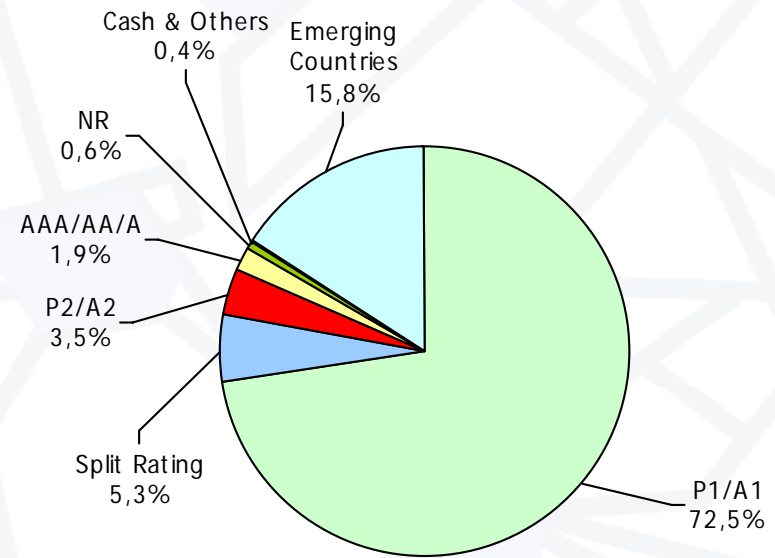
Liquidity Investments Breakdown by Type – Sep. 30, '09

Total: € 8.4 bn*

by Maturity



by Rating



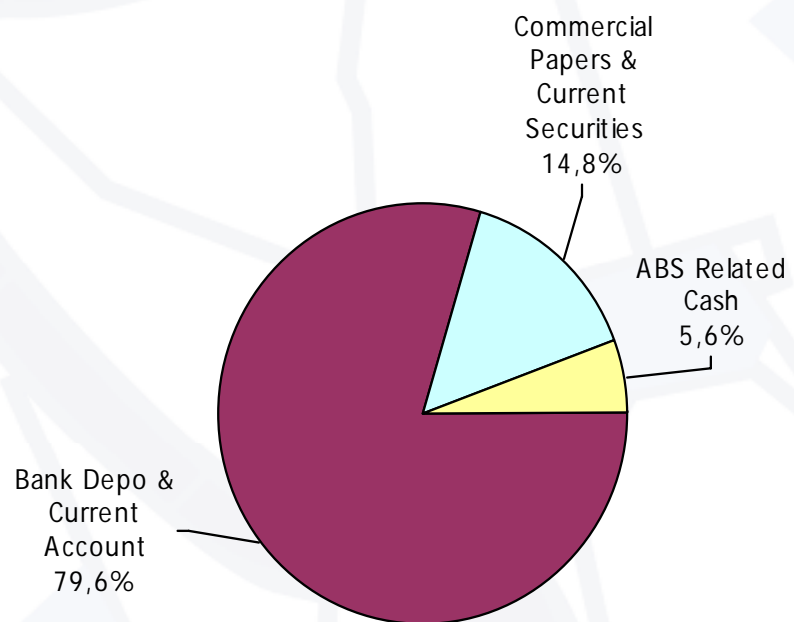
* Including € 0.5 bn of ABS related cash





Liquidity Investments Breakdown by Product – Sep. 30, '09

Total: € 8.4 bn*



* Including € 0.5 bn of ABS related cash





Cash Management System

Presence of worldwide cash pooling structures, centralizing and managing cash balances of companies in the following areas:

- **Italy** (Fiat Finance SpA)
 - **France** (Fiat Finance & Service)
 - **Rest of Europe – Germany, Benelux, Spain, Switzerland, Denmark, UK** (Fiat Finance & Trade)
 - **Poland** (Fiat Polska)
 - **USA and Canada** (Fiat Finance NA)
-
- In **Brasil**, Fiat Financas, manages funding needs / cash surplus directly, but on Companies books
 - Treasury Vehicles centralize cash and provides term funding to **other Areas** unless not possible legally/fiscally



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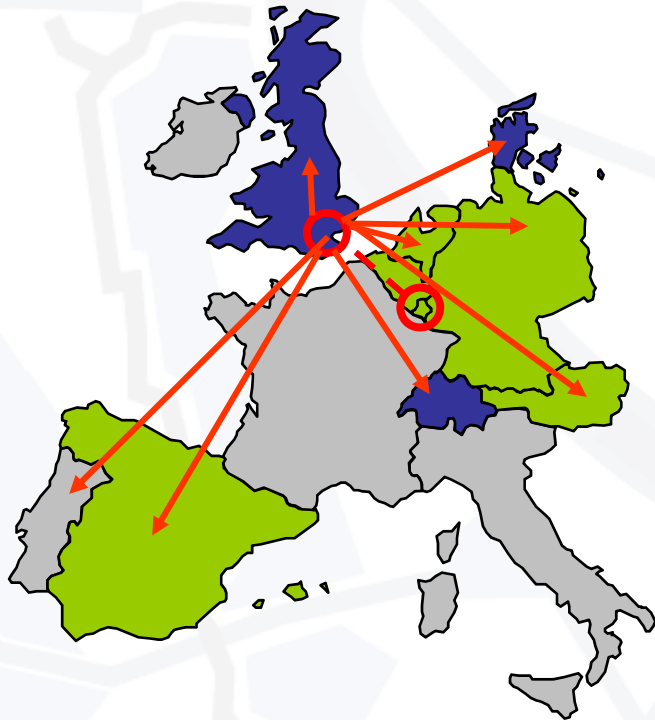
FFS1

Fiat Finance Spa; 21/09/2006



An Example – Fiat Finance and Trade Ltd. S.A.

- Nine Countries served: Austria, Belgium, Denmark, Germany, Netherlands, Portugal (through its Spanish branch), Spain, Switzerland, UK
- Presence of ZBA structures in each Country opened with domestic banks
- On a daily basis, balances by Country are centralized, through an **Overlay Structure**, to a central FF&T Bank Account, in order to manage the whole financial position
- S/T and M/T inter-company funding
- Market funding and liquidity investments
- Centralized management of FX and IR risk



Optimizing liquidity management
Reducing costs and operative risks





Financial Risk Management

- Foreign Exchange
- Interest Rate





Financial Risk Management

Treasury monitors and manages Financial Risks (in particular FX and Interest Rate) according to Group Policies and using a range of instruments and actions:

- Preemptive reduction of potential exposures, whenever possible in relation to operating needs (e.g. choice of invoicing currency);
- Internally offsetting risk positions;
- Hedging risk using financial instrument, in particular Derivatives.





Financial Risk Management – Hedging Instruments

- Derivatives are used only for managing the exposure to fluctuation in FX and interest rates connected with future cash flows and assets and liabilities and not for speculative purposes.
- Derivatives designated as fair value hedges, mainly to hedge
 - FX risk on financial instrument denominated in foreign currency
 - Interest rate risk on fixed rate loans and borrowings
- Derivatives designated as cash flows hedge for the purpose of pre-determining:
 - the exchange rate at which forecasted transactions denominated in foreign currencies will be accounted for
 - interest paid on borrowings, both to match the fixed interest received on loans (customer financing activity), and to achieve a target mix of floating vs fixed rate funding
- Counterparties to these agreements are well diversified and chosen among Group relationship banks





Financial Risk Management – Hedging Instruments

- Allowed Derivative Instruments
 - Currency Forward, Domestic Currency Swap, Non Deliverable Forward
 - Cross Currency Swaps, Interest Rate Swaps, Forward Rate Agreements
 - Plain vanilla Option: purchase of put or call option
 - Option Strategies with a defined worst case rate (floor) and zero cost or net paid premium;
- Not Allowed Derivative Instruments
 - Digital Options
 - Option Strategies without defined worst case rate (floor) or net written option
 - Leveraged Strategies
- Other Allowed Hedging Instruments
 - Loans or Borrowings in foreign currency





FX Management – Hedging Policy Guidelines /1

- FIAT Group actively manages the Economic Exposure represented by all transactions that could affect company's results, equity and cash flow when exchange rates fluctuate
- In particular, FIAT Group hedges Transaction Exposure related to:
 - On balance receivables and payables: full hedge
 - Firm commitments: full hedge
 - Forecasted invoicing: 12 month rolling forecast
- FIAT Group also monitors Translation Exposure; any related hedge must be specifically approved by the Group Treasurer





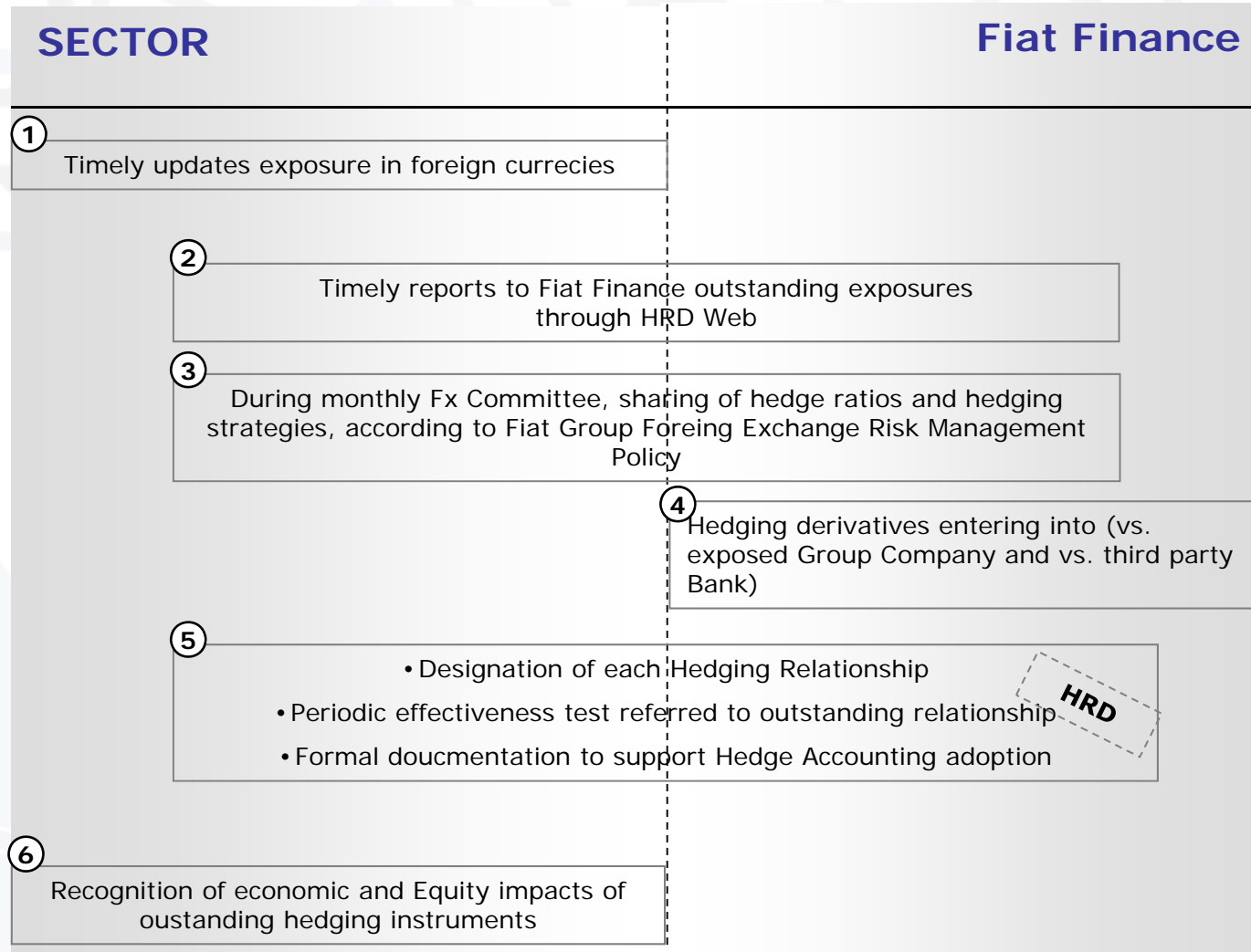
FX Management – Hedging Policy Guidelines /2

- Hedge of forecasted invoicing
 - The hedging horizon is 12 months on a rolling basis
 - The horizon is focused on invoicing date, and hedges match dates of collection / payment
 - The hedge ratio is driven at Group level:
 - Target Group Hedge Ratio , e.g. 70%
 - Tolerance Level: permissible deviation, upon periodic consultation with Sectors, from Target Group Hedge Ratio, e.g. +/- 15%
 - The hedge ratios of nearest months are high, due to high predictability of related forecasted flows
 - Exposures with high level of predictability can be hedged with a longer time horizon
 - Hedging are executed (or coordinated) by Central or Local Treasuries





FX Risk Management - Process



- The whole process is defined by Fiat Group Foreign Exchange Risk Management Policy
- The whole process needs an high level of interaction among all people involved. Using the HRD Web it is guaranteed a major timeliness and effectiveness.
- All traded derivatives have hedging purposes.
- The derivative entering into is centralized, or supported, in Fiat Finance or in the other foreign treasuries (such as in Poland and Brasil).
- About the hedge accounting treatment Fiat Finance gives support to Sectors (by a specialists task force) regarding: the standard interpretation, effectiveness assessment and accounting impacts.





FX Risk Management Process – Roles

	JOB	People in-charge
1.	Sistematic and well-timed exposure updates	Sector/ Company
2.	Sharing of hedging strategy (e.g. hedge ratios, financial instruments, tenor)	Sector/ F.Finance
3.	Entering into and managing of hedging derivatives	FF. Front Office
4.	Designation of hedging relationship	Sector/ FF. Financial Analisis and Control
5.	Support Sectors in Hedge Accounting management: Standard interpretation Preparing formal documentation Effectiveness assessment Proposal of accounting impacts	FF. Financial Analisis and Control (HRD Tool)
6.	Validation and accounting of economic and financial impacts	Sector/ Company
7.	Support to Group Control to define what information to include in the Group financial statement's disclosure	FF. Financial Analisis and Control





Interest Rate Risk Management

- Exposure identification – three main areas:
 - Financial Services Companies
 - Industrial Companies
 - Group Treasury Vehicles
- “Derivatives” transactions (FRA, IRS and interest rate options) to be executed for hedging purposes only
- Central Treasury is responsible for the definition of hedging strategies





Interest Rate Risk Management

- Financial Services:
 - Duration Matching + Gap Analysis. Assets vs Liabilities cash flows aggregated for time bands
 - Limits are established both in terms of total “duration mismatch index” and of “maturity gap” on the specific time bands
- Industrial Companies:
 - Volatility reduced through a mix of floating/fixed interest rate, based on:
 - ▶ market conditions / forecasts on interest rates
 - ▶ operative financial requirements / surplus
 - ▶ Mix periodically reviewed by Management
- Group Treasury Vehicles:
 - Complete Matching of Assets and Liabilities





Treasury managed risks and governance

Operational Risks





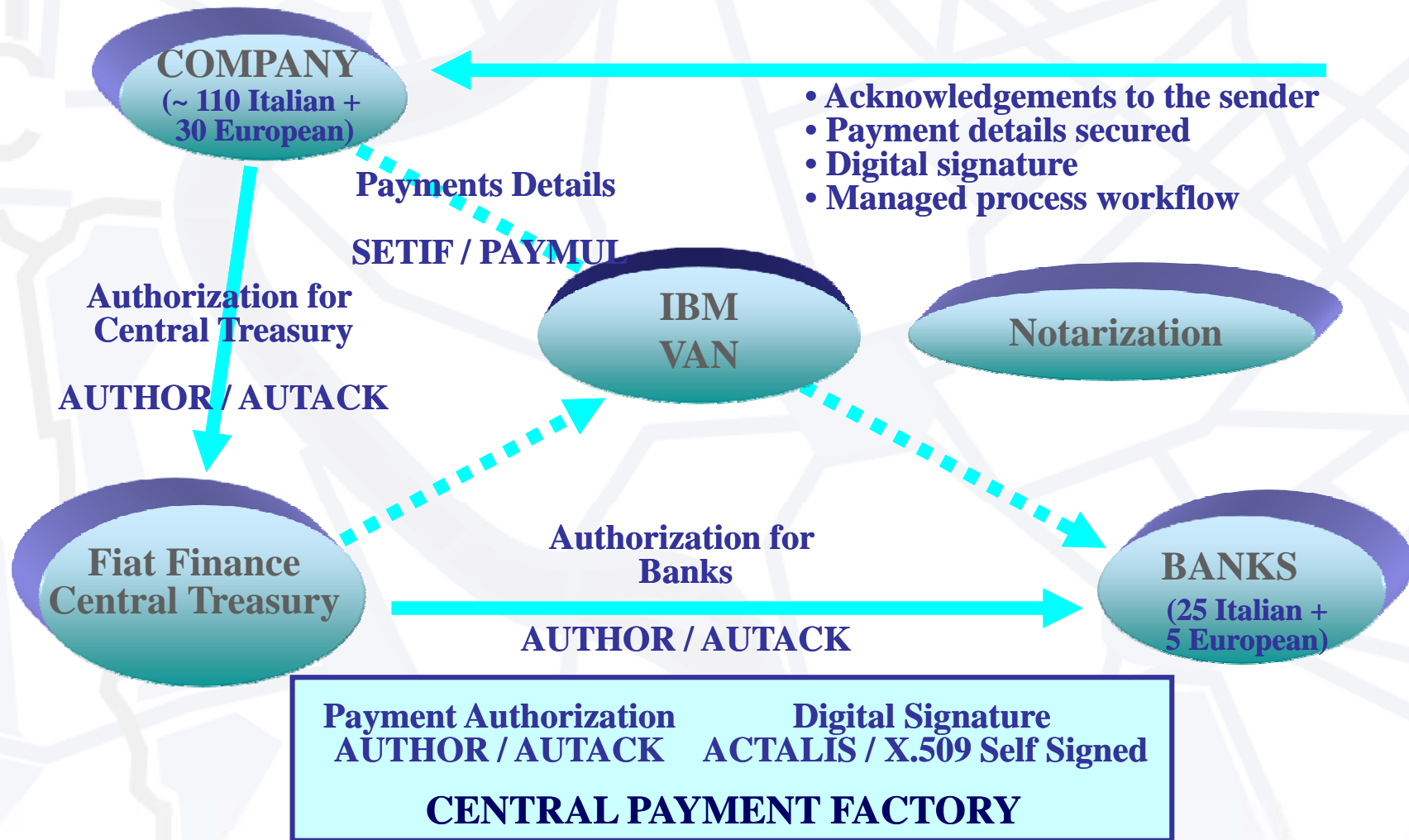
Commercial payments - European Payment Factory

- **Use of standard payment procedures for Italian and most European Companies (140 Companies involved)**
 - Domestic payments / Cross Border payments
- **Payment initialized by Fiat Services (S.S.C.) or by Company**
- **File transmission to Fiat Finance SpA (as Payment Factory)**
 - through a secure Network (VAN IBM) and Fiat Intranet
 - security supplied by a centralized server farm and RSA algorithms
- **Use of digital signature**
- **Fiat Finance not allowed to modify files with payment orders**
- **Notarization of files in trusted Third Party**
- **Use of Certification Authorities**
- **Daily download of EoD bank files and automatic reconciliation**





European Payment Factory - Payment Procedure





European Payment Factory – Payments Managed in 2008

	N° Bank Transfers	Total Amount (Billion€)
Domestic	1 330 000	21.3
CrossBorder & Eurobanking	230 000	13.5
Total	1 560 000	34.8





Financial Payments

- Fiat Finance SpA member of the SWIFT SCORE environment
- All payment orders for financial transactions sent to Banks via MT 101 messages (no more paper instructions)
- MT 101 messages produced by FF SpA Murex System
 - ✓ released by Back Office and sent to a software hosted by a Bureau de Service (“our gate to SWIFT”)
- Full separation of duties between Front and Back Office activities (FO not allowed to release MT101 messages or modify Settlement Instructions)
- MT101 specifically authorized by a Proxy Holder (with Strong Authentication based on token and password) and sent to Banks through SWIFT network (SCORE environment)





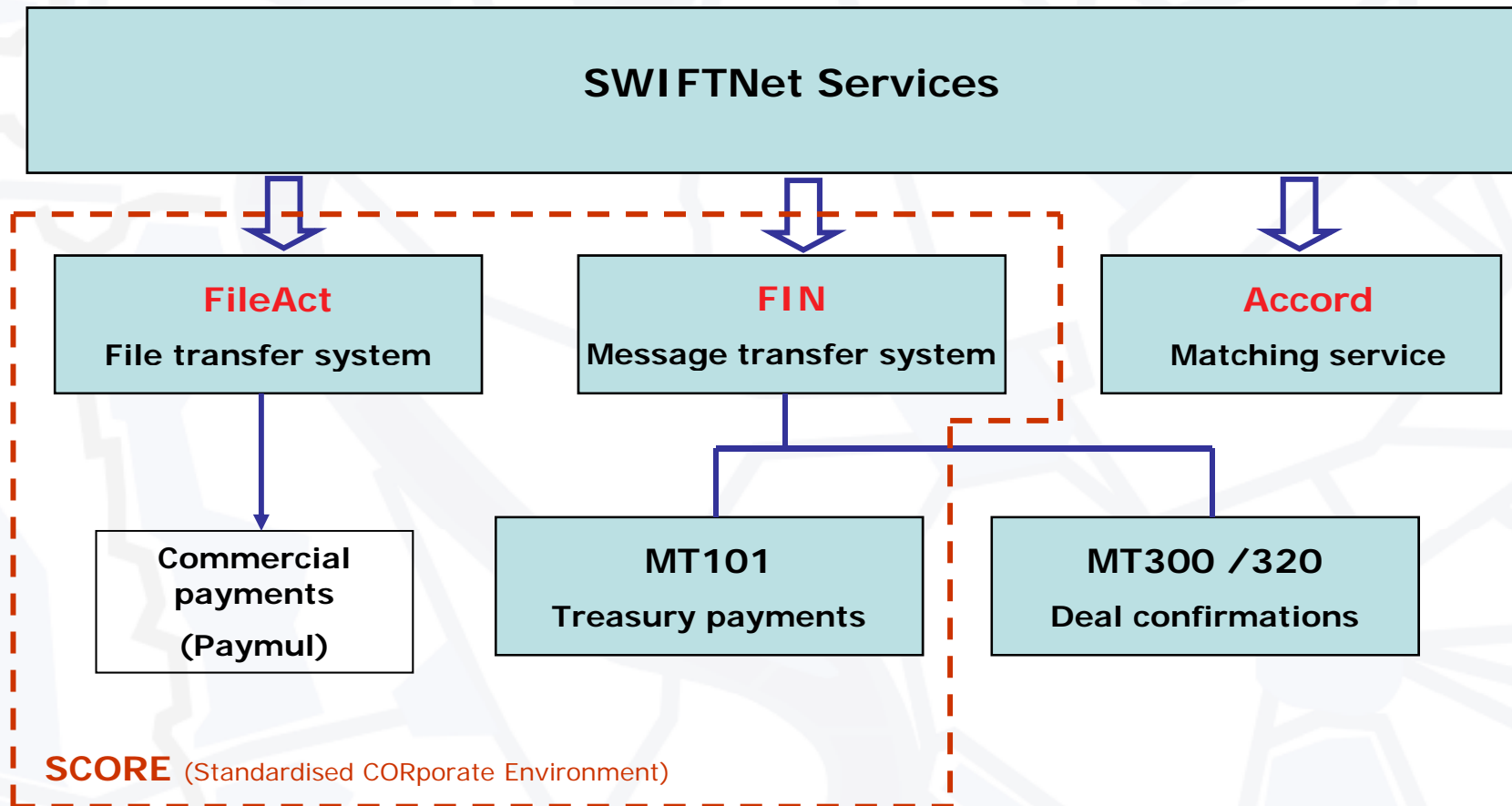
Financial Transaction Confirmations

- Fiat Finance SpA member of the SWIFT TRCO (Treasury Counterparty) environment
- FX Deal Confirmation for financial transactions sent to Banks via MT 300 messages (no more paper/fax confirmation)
- MT 300 messages produced by FF SpA Murex System
 - ✓ released by Back Office and sent to a software hosted by a Bureau de Service (“our gate to SWIFT”)
- Full separation of duties between Front and Back Office activities (FO not allowed to validate transactions and release MT300 messages)
- MT300 specifically authorized by a Proxy Holder (with Strong Authentication based on token and password) and sent to Banks through the SWIFT network
- Use of SWIFT ACCORD matching system for automatic reconciliation (no more manual checking of confirmations)





SWIFT for Corporates – Full Fiat Model





Treasury managed risks and governance

Credit Risk





Credit Risk

- Credit risk differs in relation to the activities carried out by the individual Business Sectors and markets in which the Group operates
- In all cases the risk is mitigated by the large number of counterparties and customers
- From a global point of view there is a concentration of credit risk in trade receivables and receivables from financing activities, dealer financing and retail/leasing financing for Automobile, Trucks and Ag. & Constr. Equipment
 - ❖ **Extensive use of sales of receivables (without recourse)**
 - ❖ **Use of insurance companies (including ECAS)**
 - ❖ **Auto and Iveco Dealers's floorplan risks transferred to Financial Services JV's in Europe**





Fiat Group Corporate Governance Model





Corporate Governance and Fiat Group

The Fiat Group adopted and adheres to the Corporate Governance Code for Italian Listed Companies issued in March 2006, with subsequent additions and amendments related to the former NYSE listing and the specific characteristics of the Group indicated below.

In adherence with legal and regulatory requirements, this Report provides a general description of the corporate governance system adopted by the Group and contains information on its ownership

structure, adherence to individual provisions of the Corporate Governance Code, and compliance with consequent commitments. The Report, is divided into four sections: the first contains a description of the governance structure, the second gives information on our ownership structure, the third provides an analysis of the implementation of the Code, and the fourth comprises summary tables and corporate governance related documents of Fiat Group, as well as a side-by-side comparison showing the principles of the Code and how they have been implemented by the Group.





Corporate Governance and Fiat Group

Board of Directors
Internal Control Committee
Nominating and Corporate Governance Committee
Compensation Committee
Strategic Committee

Board of Statutory Auditors

Internal Audit

Internal Control System



Code of Conduct



Compliance Program





Corporate Governance and Fiat Group

Code of Conduct

The Code of Conduct, adopted in 2002 to replace the Code of Ethics established in 1993, is a complement to the Internal Control System. It contains the business ethics principles to which the Company adheres

and with which directors, statutory auditors, employees, consultants and partners are required to comply. The Code of Conduct has been adopted by all Group companies in Italy and abroad.

Furthermore, in compliance with local laws and regulations, the Code of Conduct has been distributed to all employees. Group consultants and partners were also informed of the Code's adoption by direct notification or, upon signing of contracts, through inclusion of specific clauses making reference to the principles of the Code





Corporate Governance and Fiat Group

Compliance Program

As a result of changes in law and legal precedent, the Compliance Program pursuant to Legislative Decree 231/2001 and the Guidelines for adoption of the Program by the Group's Italian companies were revised.

With these amendments, new criminal offenses were included and the relevant sensitive processes were identified: in particular, offenses under Article 25-octies of Legislative Decree 231/01 related to the crimes of receiving stolen goods, money laundering and utilisation of money, goods, or benefits deriving from illegal activity and computer crimes and illegal processing of data under Article 24-bis, introduced by

Law 48 of 18 March 2008 "Ratification and Implementation of the Council of Europe Convention on Cybercrime, held in Budapest on 23 November 2001, and legislation for its adoption at the national level". The Compliance Program Supervisory Body is composed of the Compliance Officer, the Senior Counsel, and an external advisor. It has its own Internal Policies and Procedures, its activities are based on a specific Supervisory Program, and it reports to the Board of Directors, including via the Internal Control Committee, and to the Board of Statutory Auditors





Internal Control System

Internal control system (the “Internal Control System”) is an essential element of the corporate governance system of Fiat S.p.A. (the “Company”) and of its subsidiaries and plays a key role in identifying, minimizing and managing risks that are significant for the Fiat Group, contributing to the safeguarding of stockholders' investments and the Company's assets

The Internal Control System also facilitates the effectiveness and efficiency of company operations and helps ensure the reliability of financial information and compliance with laws and regulations. In particular, the accounting control system is an important element of the Internal Control System as it helps ensure that the Company is not exposed to excessive financial risks and that financial internal and external reporting is reliable.

“Internal control is broadly defined as a process, effected by an entity's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

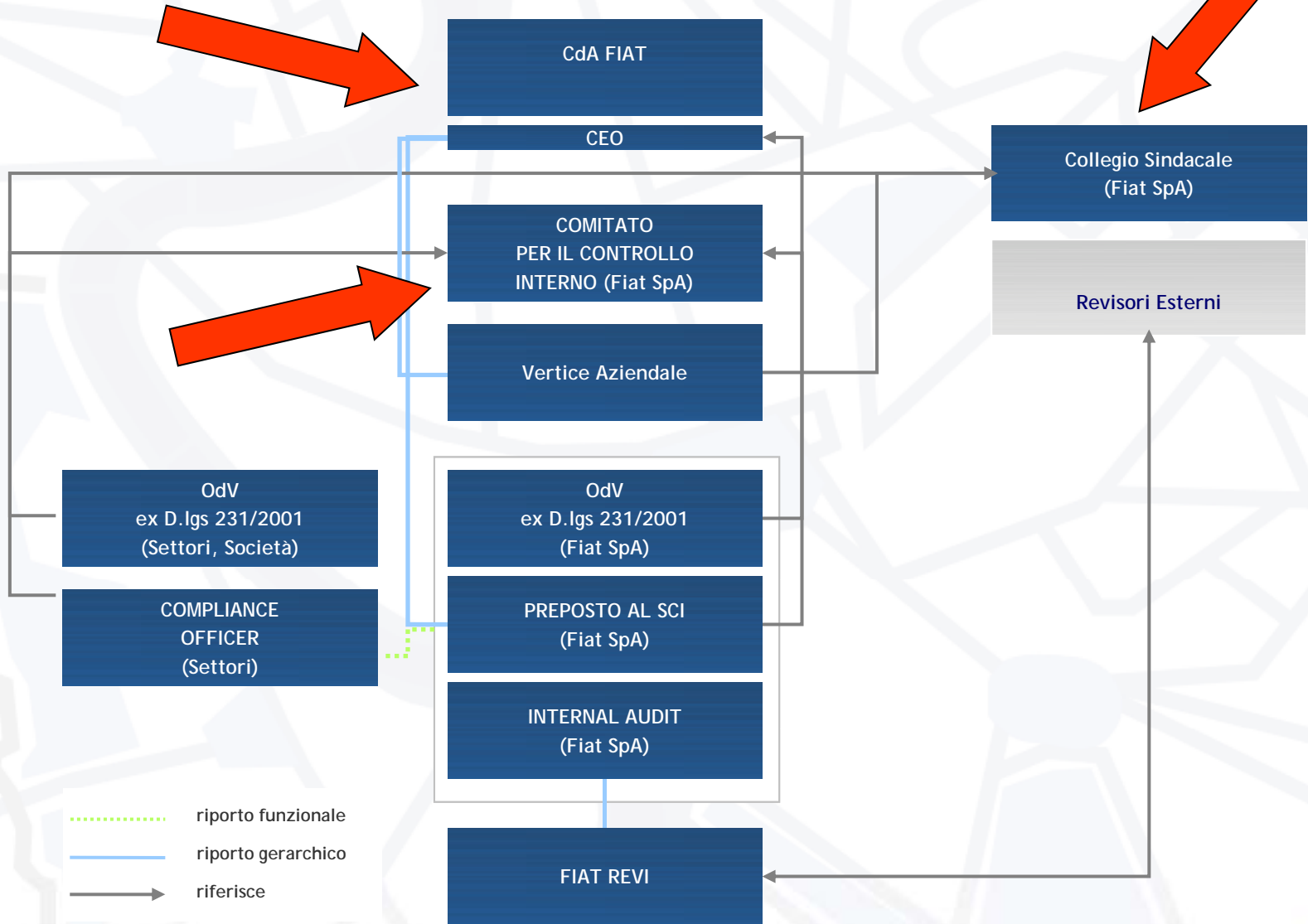
- *Effectiveness and efficiency of operations.*
- *Reliability of financial reporting.*
- *Compliance with applicable laws and regulations”*

COSO - Internal Control – Integrated Framework - 1992





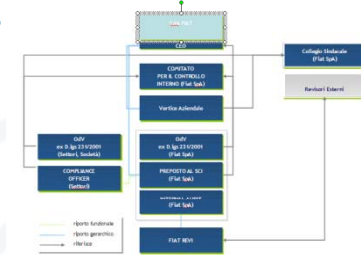
INTERNAL CONTROL SYSTEM – FIAT GROUP MODEL





INTERNAL CONTROL SYSTEM – FIAT GROUP MODEL

Board of Directors



The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company through definition of a model for delegation of powers, the delegation and revocation of powers, and examination and approval of the strategic, industrial, and financial plans prepared by the delegated bodies, the corporate structure of the Group, transactions having a material impact on the operating performance, balance sheet, and financial position of the Group, transactions in which the delegated bodies have a conflict of interest and unusual and abnormal transactions with related parties.

The Board of Directors is also responsible for evaluating the adequacy of the organizational, administrative, and accounting structure and the general performance of the Group on the basis of reports by the delegated bodies, as well as for supervising effective compliance with the administrative and accounting procedures and the adequacy of the powers and means assigned to the manager responsible for the preparation of the Company's financial reports. Article 15 of the By-laws authorises the Board of Directors to adopt resolutions relating to mergers and demergers – where specifically allowed by law – transfer of the Company's registered office to another location in Italy and reduction of share capital in the event of shareholders exercising their right of withdrawal and amendment of the By-laws to reflect changes in the law.

The Board of Directors includes bodies with delegated powers (executive directors), who are responsible for the management of the Company within the limits of the powers delegated to them by the Board of Directors, the Internal Control Committee, the Nominating and Corporate Governance Committee, the Compensation Committee and the Strategic Committee, which have a proactive and consultative function

From Annual Report on Corporate Governance - February 2009





INTERNAL CONTROL SYSTEM – FIAT GROUP MODEL

Committees established by the Board of Directors

In 1999, the Board of Directors established the **Internal Control Committee** and the **Nominating and Compensation Committee**. The roles and requirements of these committees are constantly updated to reflect current best practice in corporate governance and, in 2005, the Board also established the **Strategic Committee**.

In order to ensure continuous revision of the corporate governance system and alignment with best practice and the Corporate Governance Code, the Board of Directors passed a resolution on 24 July 2007 to split the Nominating and Compensation Committee into the **Nominating and Corporate Governance Committee** and the **Compensation Committee**.

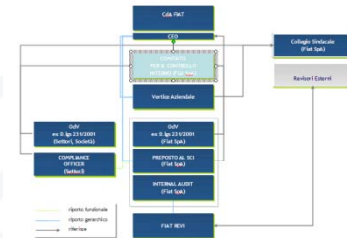




INTERNAL CONTROL SYSTEM – FIAT GROUP MODEL

Internal Control Committee

In 1993, Fiat adopted a Code of Ethics and, in May 1999, an Internal Control System based on a model derived from the COSO Report. The Board of Directors then decided to disseminate an “Internal Control Policies and Procedures” document and establish an Internal Control Committee. In 2002, a more detailed Charter was drafted for the Internal Control Committee, which was subsequently approved by the Board of Directors and revised in 2005. The Internal Control Committee is composed entirely of independent directors. The mission of the Committee is to assist the Board of Directors in discharging its own duties by providing it with advice and proposals concerning the reliability of the accounting system and financial information, the Internal Control System, the examination of proposals for the engagement of independent auditors and the supervision of Internal Audit activities.

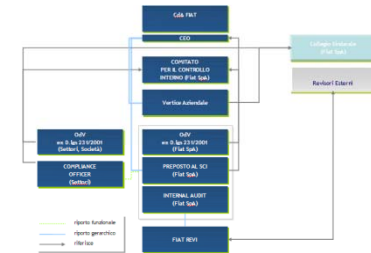


From Annual Report on Corporate Governance - February 2009



INTERNAL CONTROL SYSTEM – FIAT GROUP MODEL

Board of Statutory Auditors



The Board of Statutory Auditors is responsible for supervision of compliance with law and the By-laws, respect of the principles of proper management, and in particular the adequacy of the internal control system and the organizational, administrative, and accounting structure of the Company and its actual performance, as well as supervision of the implementation of the rules of corporate governance which the company adheres to. It is also required to give a justified opinion to Shareholders in relation to the appointment of independent auditors.

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INTERNAL CONTROL SYSTEM – FIAT GROUP MODEL

System of Internal Control over Financial Reporting

The Group has implemented and maintains up-to-date a system of reliable administrative and accounting procedures which guarantee a high standard of internal control over financial reporting, conceptually consisting of two levels. The first consists of the rules, procedures and guidelines by which the Parent Company ensures a system of efficient exchange of information and conducts the necessary coordination with the activities of its subsidiaries, the majority of which are organised into Sectors. The second relates to detailed operating policies and procedures at Sector level, based on guidelines provided by the Parent Company, and implemented by the individual legal entities.

In parallel, assessment and monitoring of the System of Internal Control over Financial Reporting (ICFR) has been implemented consistent with the model established in the COSO Framework and follows a 'topdown, risk-based' approach, which is in line with international best practice. As part of that process, tests are carried out by Management, which are accompanied by quality reviews of the design and functioning of those controls, and tests are also conducted independently by Internal Audit. The top-down, risk-based approach adopted by the Fiat Group enables management to conduct its own assessments focusing on areas of greatest risk and/or materiality in relation to the financial reporting system.





THANK YOU