



## CODE OF ETHICS

version dated december 15, 2010

## **Contents**

### **Foreword**

### **Introduction**

- A) Carraro Group Overview
- B) Definitions
- C) References to legislation

### **Recipients**

#### **I General Principles**

#### **II Specific principles**

- 1) Conduct in Business Management
  - 1.1 Honesty and integrity in relations;
  - 1.2 Fair competition;
  - 1.3 Prohibition of giving / accepting gifts, benefits and promises of favours;
  - 1.4 Conflict of interest;
  - 1.5 Handling of confidential and/or price sensitive information;
  - 1.6 Watchfulness in business and money laundering prevention;
  - 1.7 Privacy protection.
  
- 2) Human resources and employment policy
  - 2.1 Protection of employees and development of skills;
  - 2.2 Health and safety;
  - 2.3 Employees' obligations;
  - 2.4 Policy for selection;
  - 2.5 Use of Company's assets and information systems.
  
- 3) Relationships with Public Administration and with Authorities
  - 3.1 Relationships with Public Administration

- 3.2 Relationships with the Judicial Authority and Authorities with powers of inspection.
  
- 4) Relationships with the stakeholders
  - 4.1 Shareholders and the financial community;
  - 4.2 Suppliers;
  - 4.3 Customers;
  - 4.4 Inter-company relationships;
  - 4.5 Political organizations;
  - 4.6 Environmental protection.
  
- 5) Administrative and Accounting Management Policy and principles for market abuse prevention.

### **III Diffusion of the Code of Ethics and monitoring of its application**

- 1) The body responsible for the diffusion and monitoring of the Code of Ethics: the Supervisory Body
  
- 2) Ways for diffusing and monitoring
  - 2.1 Implementation
    - 2.1a Communication and training;
    - 2.1b Issues relating the interpretation of the Code of Ethics;
    - 2.1c Amendments and revisions;
    - 2.1d Conflicts with the Code of Ethics.
  
  - 2.2 Monitoring
    - 2.2a Reporting breaches;
    - 2.2b Treatment of infringements;
    - 2.2c Penalty system.

## **Foreword**

This Code of Ethics (hereinafter also "*Code*") is an official document of Carraro S.p.A., adopted by a resolution of the meeting of the Carraro S.p.A. Board of Directors held on 16 december 2008 and therefore adopted also by each Carraro Group Company (hereinafter also "Carraro Group" as defined in the following point B).

The Code therefore sets out ethical duties and responsibilities in the conduct of corporate business and activities, to which each person concerned, as defined below, must conform in the performance of their duties. Knowledge and observance of the Code by all who work for or have business relationships with Carraro Group, that means with one ore more Group companies, is therefore of fundamental importance its diffusion that will be ensured through suitable means, in accordance with the provisions of point III, 2), 2.1a below.

The Code of Ethics introduces and binds each Carraro Group Companies (hereinafter also the "Company") and all Recipients, if applicable, to the principles and rules of conduct for the reasonable prevention of the offences indicated in Legislative Decree No. 231 of 8 june 2001.

## **Introduction**

### **A) Carraro Group Overview**

Carraro is a multinational global leader in the production of power transmission systems.

Carraro Group's activities, coordinated by Carraro S.p.A. in its role of strategic control, are divided into four Business Units: Drivelines, Gears and components, Vehicles and Power controls. This product offering is intended for a wide range of applications, from earth-moving machines to agricultural tractors, from cars to light commercial vehicles, from forklifts to stationary applications (such as escalators). Are increasing in importance also products for emerging businesses related to renewable energies, such as generators for wind power and photovoltaic installations.

### **B) Definitions**

- **"Code"**: shall mean this Code of Ethics;
- **"Legislative Decree 231/01"**: Legislative Decree No. 231 of 8 June 2001, containing the *"Regulations on the administrative liability of legal persons, companies and associations, including associations without legal personality, pursuant to Article 11 of Law No. 300 of 29 September 2000"*, which introduced administrative liability of bodies with or without legal personality for some types of offences committed to their advantage or in their interest by persons who hold positions of representation, administration or management of the body and those supervised or managed by such persons;
- **"Carraro Group"**: shall mean all the companies, directly or indirectly, controlled by Carraro S.p.A.;
- **"Public Official"**: shall mean, pursuant to Article 358 of the Italian Criminal Code, those who *"provide public services"*, defined as an activity regulated by the provisions of public law and authoritative acts, but characterized by the lack of authoritative and certification powers (examples of Public Official are: professors, university researchers and university top management, members of tender commissions, local health authorities, etc);
- **"Model"**: shall mean the organization, management and control model which is intended as a framework of regulations, tools and principles of conduct to provide the entity with an efficient, effective and adequate organisational and management system enabling it to identify and prevent criminal conduct by subjects holding *"elevated positions"* or by those under managerial and/or supervision authority of subjects holding elevated positions when designed and implemented, is capable of preventing some offences *by persons occupying top positions* (persons who hold representative, administrative or management positions within the company or one of its organizational units) or *persons reporting to them*, thereby enabling the company that has implemented the Model to be exempt from the administrative liability established by Legislative Decree 231/01 in the event that the aforementioned types of offence are committed;
- **"Supervisory Body"** or **"SB"**: The Supervisory and Control body of each Group company, if appointed, or differently, the Supervisory and Control body of Carraro S.p.A., with autonomous initiative and control powers, which has been vested with the task of supervising the operation and compliance with the Code of Ethics and the Model, when adopted;
- **"P.A."** or **"Public Administration"**: shall mean the State and other public bodies that exercise various activities in pursuit of the public interest;

- “**Public Official**”: is understood, pursuant to Article 357 of the Criminal Code, as a person who *“performs a legislative, judicial or administrative function”*. Public functions are administrative functions regulated by the provisions of public law and by authoritative acts, characterized by the formation and manifestation of the will of the Public Administration or by its implementation by means of authoritative or certification powers (examples of Public Officials are magistrates, officials of the Police or the Financial Police etc.).

### **C) References to legislation**

- Legislative Decree 231/01;
- Code of Conduct on internal dealing, procedure for management of Price Sensitive information, procedure for keeping and updating the register of persons who have access to Price Sensitive information of Carraro S.p.A., and in general all the internal procedures of the Company.

### **Recipients**

The Code is addressed to all persons to whom it concerns, both in Italy and abroad, i.e. members of corporate bodies, employees, project collaborators (hereinafter all defined as “employees”), agents, contractors, consultants and suppliers of the Company.

### **General Principles**

Compliance with laws and applicable regulations is an inalienable principle of Carraro Group, which bases its activities on the ethical provisions of this Code.

On the basis of this document, Carraro Group enters into a long-term commitment which compliments and provides an ethical basis to the Group’s industrial development strategy and economic objectives.

Carraro Group does not maintain business relations with parties whose activities are not guided by the principles underpinning this Code.

Specifically, Carraro Group promotes and disseminates rules of conduct conforming to the principles of **legality, loyalty, propriety**, and **professional reliability** to the employees of the Group at all levels. The rules of conduct are intended to preserve the integrity of Carraro Group assets, to safeguard the respectability of its image, and to maintain the **clarity and transparency** of its relations with its shareholders and with economic entities in general.

Carraro Group pursues the following priority objectives:

- creation of value for shareholders, implementing a corporate strategy that ensures them an adequate return on invested capital over time by the optimization of available resources, the increase of competitiveness as well as assuring the company's solvency as part of sound and prudent corporate management;
- development of human resources, promoting the professional improvement of employees and collaborators.

The conduct necessary to achieve these objectives must be based on the aforementioned principles, both in internal Company relations and in relations with external parties.

Carraro Group has also instructed all its employees to act with **diligence, accuracy, impartiality and honesty**, not only in the performance of their own tasks, but also in inter-company relationships and relationships with third parties.

Carraro Group condemns any form of discrimination and/or abuse in both internal and external relations.

Furthermore, Carraro Group upholds the principle of **responsibility**, according to which each individual employee, on the basis of their position/level in the corporate organization, assessed on mainly on the basis of merit, is competent and responsible for their own actions and omissions.

Carraro Group pays particular attention to the satisfaction of current and potential clients/customers, inspired by models of excellence.

## **II Specific principles**

### **1) Conduct in Business Management**

#### **1.1 Honesty and integrity in relations**

All employees are obliged to conduct themselves in a manner that conforms/complies to/with the Company policies, which cannot ever, even if intended to pursue the corporate objectives, translate into actions contrary to law, applicable regulations, or company procedures for individual positions, both with respect to colleagues and to third parties with whom they enter into contact.

In relations between the Company and third parties, and particularly with the Public Administration, all Persons Concerned must act according to ethical principles and applicable laws, and are expressly prohibited from unlawful favouritism, concerted practices, corruption or solicitation of personal advantages for themselves or for others.

All employees are obliged to manage any problem arising with maximum transparency, propriety and fairness, acting in a spirit of collaboration with managers and following their instructions.

All employees and those who purchase goods or services on behalf of the Company must act in accordance with the principles of propriety, transparency, cost efficiency, quality, lawfulness, and with the care that a prudent man would exercise.

The Company undertakes not to consciously maintain direct or indirect financial, economic or commercial relations with parties that in any way breach regulations on child and female labour and/or illegal procurement or use of labour obtained from trafficking of immigrants or the slave trade.

Any activity, service or initiative, including advertising and the use of information technology systems or tourism methods or means that could favour or facilitate pornography, child prostitution and/or sex tourism is prohibited.

## **1.2 Fair competition**

In its relations with customers and suppliers, the Company undertakes to respect the principles and laws protecting competition and to act in a fair and proper manner on markets, relying on the quality of its products and respect for contractual agreements.

## **1.3 Prohibition of giving / accepting gifts, benefits and promises of favours**

Without prejudice to the provisions of point II, 3), 3.1 on relations with the Public Administration, the direct or indirect offer of money, gifts or benefits of any nature to managers, officials, or staff of clients, suppliers, consultants in order to influence them in the performance of their duties and/or achieve undue advantage is prohibited.

Acts of courtesy are permitted provided that they are of modest value or in any case do not compromise the integrity or reputation of one of the parties and cannot be interpreted by an impartial observer as intended to acquire undue and/or improper advantages.

Directors, managers and employees are prohibited from accepting gifts, including holiday gifts, for themselves or for others, with the exception of gifts of modest value and/or given as part of normal and proper acts of courtesy which in any case do not compromise the integrity or reputation of the parties and which cannot be interpreted by an impartial observer as intended to acquire undue and/or improper advantage.

Employees who receive unsolicited gifts or other benefits of considerable value which are inconsistent with the above provisions shall notify the Company promptly in writing, which may order their return. Where this is not possible, the gift must be made available to the Company.

#### **1.4 Conflict of interest**

Each person concerned must avoid situations and decisions that could involve real or apparent conflicts of interest with the Company.

This requirement is to be understood as also extending to the activities of employees outside working hours, where such activities could appear to produce a conflict of interests with the activities of the Company.

By way of non-exclusive example, the following situations could give rise to a conflict of interests:

- performing a top management role (managing director, director, department head) or having economic relations with suppliers, clients, or competitors (holding shares, professional duties, etc.) including through family members;
- accepting money or favours from persons or firms that have or intend to enter into business relationships with the Company;
- undertaking commercial transactions on behalf of the Company with family members up to the second degree of kinship contrary to company procedures for transactions with related parties;
- undertaking commercial transactions with business partners without any reference to the price, the quality of provided service, or other measurable factors;
- exploiting one's own position in order to pursue interests that conflict with those of the Company;

- using information acquired in the performance of one's duties to one's own advantage or to the advantage of third parties, or that conflicts in any way with the interests of the Company.

Any situation that may constitute or give rise to a conflict of interests must be immediately communicated to the superior or internal supervisor, who shall proceed to notify the Supervisory Body.

### **1.5 Handling of confidential and/or price sensitive information**

Each person concerned must abstain from disclosing or using any confidential news or information concerning company activities for their own benefit or for the benefit of third parties.

All information and other material obtained by persons concerned as a result of their work cannot be disclosed externally unless duly authorized in advance.

Purely by way of non-exclusive example, confidential information is considered as: commercial, industrial and strategic plans, information regarding know-how and technological processes, financial transactions, operating strategies, investment and disinvestment strategies, accounting, financial and economic data before such data is made public, company manuals, personal data of employees and databanks relating to clients, suppliers, collaborators and employees.

The obligation to refrain from disclosing reserved and confidential information remains effective after ceasing to hold company office or an employment and/or collaboration relationship.

All documentation (including copies) generated within the Company, together with all information and other material obtained by persons concerned as a result of their position within the Company or from business relations with the Company is and shall remain the exclusive property of the Company.

All persons concerned are obliged to forward such documents, information and material to the Company on the Company's request, and in all cases upon cessation of any existing employment or business relationship with the Company.

Among confidential information highly important is "price sensitive" information, i.e. information of a specific nature relating to the Company which is not of public domain and which, if disclosed, is capable of materially influencing the price of shares of any listed Group company.

Italian and European laws identify specific groups of individuals, both employees and external to the company, who, having access to ant "price sensitive" information in virtue of their role or

activity inside or outside the organization, are prohibited to trade these shares, to spread said information to others and to recommend to others to trade these shares. Other rules oblige every listed company to keep an official register of these persons. .

“Price sensitive” information shall be externally communicated only by persons authorized under applicable law and according to the formal procedures adopted by the listed company in accordance with the principles of parity and simultaneousness in the spreading of information.

### **1.6 Watchfulness in business and money laundering prevention**

Persons concerned must pay special attention in receiving and spending cash money, credit bills and valuable goods in order to avoid the risk to put fake or counterfeit values into the marketplace. Persons concerned must never undertake or become involved in activities that involve receiving of stolen goods, laundering (i.e. the acceptance or processing), the use of proceeds, goods or values coming from any form or manner of criminal activity.

For this employees must carry out a prior verification of normally available information (including financial information) on commercial counterparties, consultants and suppliers in order to ensure their ethical integrity, respectability and the legitimacy of their activities before entering into business relationships with such parties.

The Company, as well as any other Group entity, must always comply with anti-money laundering and organized crime fighting legislation if applicable, both national and international, being also careful of taking part in commercial dealings that do not bring, even potentially, the risk to promote the receiving, swapping or use of money or goods coming from criminal activities.

Directors and employees of the Company as well as of any other Group entity, are required to strictly observe laws, Company’s policies and procedures in any business they undertake even intercompany, ensuring the full traceability of financial flows in and out and the full compliance of such operations to money laundering prevention rules.

### **1.7 Privacy protection**

Performing its business activities, the Company collects a significant quantity of personal data and confidential information, which it undertakes to process in compliance with all applicable laws and according to best practice in matters of confidentiality and privacy.

The Company respects the subjective right of persons concerned to the protection of their personal data, whether they be employees, clients or suppliers, providing them with complete and updated information on the processing of such data – both ordinary information and any sensitive

information – acquired by the Company itself or to be acquired and/or processed in the course of its activities, requiring their consent whenever necessary and processing such data exclusively for the purposes for which it is intended.

Furthermore, the Company guarantees a high level of security in the selection and use of its information technology systems used for processing personal data and confidential information, and declares that it has adopted all security measures required by currently applicable law for the protection of such information.

## **2) Human resources and employment policy**

### **2.1 Protection of employees and development of skills**

Honesty and professionalism of employees are indispensable values and conditions for the achievement of the Company's objectives. The Company undertakes to foster the development of the skills and expertise of each employee, promoting a working environment and conduct oriented towards:

- protection of safety, health and integrity and the prevention of discrimination, particularly with regard to race, gender, age, nationality, religion, personal convictions, political opinions, state of health, personal and social conditions, and the prevention of all types of abuses;
- optimization/valorisation of innovative and entrepreneurial spirit within the limits of each employee's responsibility;
- principles of merit and ability with the limits necessary for the organization of work;
- equal work and professional advancement opportunities for each employee;
- definition of roles, responsibilities, authorities and availability of information in order to ensure that each member of the organization can carry out their duties in the interests of the Company.

Employees are required to collaborate in order to maintain an environment of decorum and mutual respect of the dignity of each employee, and to foster the acquisition of new skills and knowledge. Specifically, employees of the Company:

- may not serve under the effect of alcoholic or narcotic substances;

- must be sensitive to the needs of those who could suffer physical discomfort as a result of the effects of “passive smoking” in the workplace, including in countries where smoking in the workplace is permitted;
- must avoid conduct that could create an intimidatory or offensive environment for colleagues, or that could subject them to marginalization or discredit in the workplace.

Specifically, in hierarchical relationships, no situations should occur in which the exercise of the principle of authority is detrimental to the dignity and professionalism of employees.

## **2.2 Health and safety**

The Company undertakes to disseminate and consolidate a culture of safety, fostering awareness of risks and respect for applicable prevention and protection regulations, promoting responsible conduct by all. The Company also works to preserve and improve the working conditions, health, and safety of employees, particularly by preventative action.

The Company’s objective is therefore to protect Company’s assets and human and financial resources, constantly pursuing the necessary synergies not only within the Company, but also with suppliers, companies and clients involved.

For this purpose the Company undertakes technical and organizational initiatives through:

- analysis of risk and the criticality of processes and resources to be protected;
- attention in the choice of technologies;
- supervision and updating of working methods;
- providing training and communication initiatives.

## **2.3 Employees’ obligations**

The Code is an integral and substantive part of each employee’s employment contract.

Consequently, the Company requires all employees to rigorously observe the provisions of the Code. Any breach of the Code’s provisions is therefore treated with firmness, with the consequent adoption of appropriate sanctions, according to the provisions of point III, 2), 2.2c hereunder.

Employees are therefore obliged:

- to fully comply with the provisions of the Code regarding their specific responsibilities, including participation in any training activities;

- to act and conduct themselves in accordance with the Code and abstain from any conduct that could be detrimental to the Company or compromise its honesty, impartiality or reputation;
- to promptly notify any breaches of the Code to the Company's Supervisory Body by the methods established at point III, 2), 2.2a hereunder;
- to comply with all internal regulations adopted by the Company to ensure observance of the Code and to identify any breaches thereof;
- to consult the Supervisory Body, by the methods indicated at point III, 2), 2.2a, in order to obtain clarifications on the interpretation of the Code;
- to cooperate fully with any investigations into breaches of the Code, maintaining the strictest confidentiality with regard to the existence of such investigations, and to participate actively, when requested, in reviews of the operation of the Code.

The Company shall make every effort to ensure that its employees, both those occupying top positions and those reporting to them, together with all those who act on behalf of the Company, do not take actions which could constitute offences that could lead to the application of one of the monetary and/or restrictive sanctions provided by Legislative Decree 231/2001, where applicable, in the event that such actions are taken to the advantage or in the interests of the Company or any other Group company.

#### **2.4 Policy of selection**

Personnel recruitment is carried out on the basis of correspondence between candidate profiles and corporate requirements, in a context of equal opportunities for all candidates. Information requested is strictly linked to verification of professional profile and aptitudes, respecting the privacy and opinions of candidates.

Employees are prohibited from accepting or soliciting promises or payments of money, goods, benefits, pressure or services of any kind that could be intended to promote the recruitment, transfer, or promotion of an employee.

#### **2.5 Use of Company's assets and information systems**

Each employee is obliged to diligently safeguard and use company equipment made available to them for the performance of their duties, acting responsibly to avoid both improper use that could damage the equipment or reduce its efficiency, and use for personal purposes. Any even

unintentional use of company equipment in violation of existing laws is forbidden even though said use could bring an interest or benefit to the Company or any Carraro Group entity.

Any use of information technology instruments in violation of laws in force, or causing offence to personal liberty, integrity and human dignity especially with reference to underaged individuals is strictly forbidden.

Any use of information technology instruments that may cause undue intrusion or damages to information technology systems of third parties is forbidden too.

Persons concerned are required:

- to strictly observe Company's stated policies and procedures on "IT" security and to use Company's equipment (i.e. personal computers, telephones and similar communication devices) according to these rules;
- not to tamper in any way with Company's communication or information system or to falsify its data and information or to modify softwares and databases;
- to avoid any conduct that could jeopardize security, integrity, functionality, efficiency and protection of Company's communication or information system;
- not to send e-mail messages using insulting, threatening language, low-level speech, or comments that may offend anyone or damage Company's reputation;
- to avoid spamming or chain letters that may cause such a traffic overload over the Company's network to reduce its functionality and having a negative impact on labour productiveness;
- not to navigate into internet websites having illegal contents.

### **3) Relations with Public Administration**

#### **3.1 Relationships with Public Administration and with Authorities**

Relations with the Public Administration must be characterized by maximum transparency, clarity, propriety, and respect of respective roles, and must be conducted in a manner that does not lead to partial, false, ambiguous or misleading interpretations on the part of any institutional party with whom any relations are maintained.

Contacts with both Italian and foreign Public Administrations are limited to those who are specifically and formally authorized by the Company to deal with or have contacts with such administrations, public officials, bodies, organizations and/or institutions.

Specifically, the promise or offer, either directly or indirectly, of money, gifts of any nature or other benefits to managers, officials or employees of the Public Administration or their relatives, whether Italian or of other countries, in order to influence the independence of judgement of such public officials or to induce them to secure undue advantages is prohibited.

Unlawful payments made directly by employees of the Company or through intermediaries in Italy or abroad are considered acts of corruption.

Employment of ex-employees of the Italian or foreign Public Administrations, or their relatives up to the second grade of kinship, who participate or have participated actively in business negotiations with, or endorsed applications made by the Company to the Italian or foreign Public Administration is also prohibited.

Other conduct which is not permitted during business negotiations with representatives of the Public Administration includes, purely by way of example, the promotion, in any manner, of employment or commercial opportunities that could benefit public officials and/or public service representatives, the solicitation, obtainment or exchange of confidential information that could compromise the integrity and reputation of both parties, and in general any act that is intended to induce Italian or foreign public officials and/or public service representatives to undertake any action or omission in breach of the regulations of the organization to which they belong.

It is prohibited to allocate subsidies or funding, even sums of modest value, obtained from the government or other public bodies for purposes other than those for which they granted.

Finally, the Company condemns any conduct intended to obtain any type of contribution, financing, concessional loan or other disbursement of the same type from the state or other public body by means of altered or falsified declarations and/or documents or through the omission of information, or more generally through artifices or deceptions, including by the use of a computer or data transmission system, which are intended to mislead the disbursing body.

### **3.2 Relationships with the Judicial Authority and Authorities with powers of inspection**

The Company acts in accordance with the law and, within the limits of its own authority, does not obstruct the proper administration of justice.

In the performance of its activities, the Company operates in a lawful and proper manner, collaborating with the representatives of judicial authorities, the force of order and any public official that has powers of inspection.

During any type of access conducted by the Public Administration, employees involved must immediately notify their hierarchical superior, the department head or internal person that they report to, if they have not already been notified, of the presence on Company premises of members of the Public Administration, and must scrupulously abide by any instructions that the department head or internal person that they report to may give. In all cases, the department head or internal person that they report to shall manage relations with members of the Public Administration or persons engaged or delegated by them. The department head or internal supervisor must immediately notify the Supervisory Body of the inspection/access/assessment and of its outcome.

The Company requires employees to provide any person carrying out inspections or verifications on behalf of the Public Authority with the utmost cooperation and collaboration.

It is prohibited to destroy or alter registrations, minutes, accounts, and any other type of document, or to lie or make false declarations to the competent authorities.

No person may attempt to persuade others to provide false or misleading information to the competent authorities.

No person may undertake economic activities, confer professional positions, give or promise gifts, money, or other benefits to anyone carrying out verifications and inspections or to the competent judicial authorities. Those who, due to their employment, are subject, including in a personal capacity, to investigation, inspections, or writs of subpoena, and/or those who are notified of other judicial orders must inform their hierarchical superior or, failing this, their department head or internal supervisor. In all cases the department head or internal supervisor must inform the Supervisory Body of such occurrences.

## **4) Relationships with the stakeholders**

### **4.1 Shareholders and the financial community**

Relations with shareholders are managed by the Investor Relations department of the listed company.

Directors encourage and facilitate the widest possible participation of shareholders in Shareholders' Meetings.

Communications made available to shareholders of the listed company and the financial community are as a matter of practice disseminated through meetings that are intended to provide complete information to those concerned. The website "www.carraro.com" is promptly updated with financial statement data and press releases, in full compliance with applicable regulations.

## **4.2 Suppliers**

The Company requires that suppliers with which it maintains contractual relations act in accordance with human rights, employee rights and environmental law.

Specifically, by way of example, the Company requires suppliers to abstain from using child or underage labour, discrimination, abuse or coercion in detriment of workers, and that they comply with environmental legislation.

The selection of suppliers and the formulation of purchase conditions for goods and services for the Company is regulated by values and parameters of competition, objectivity, respectability, propriety, impartiality, fairness of price, quality of goods and/or services and by accurate assessment of guarantees of service and the general panorama of offers.

Purchase processes must be oriented to the pursuit of maximum competitive advantage for the Company, and to loyalty and impartiality to each supplier that possesses the necessary requirements.

Specifically, Company employees responsible for such processes are obliged:

- not to exclude any supplier possessing the necessary requirements from the opportunity to compete in bids for contracts, adopting objective and documented criteria in its selection of a shortlist of candidates;
- ensuring sufficient competition in the selection of suppliers.

Specifically, the employee that acts on behalf of the Company may not:

- receive any form of consideration from third parties for any action carried out as part of their duties or contrary to their duties;

- accept any form of condition from third parties extraneous to and not authorized by the Company in the taking of decisions relating to the selection of a supplier.

In order to guarantee maximum transparency and efficiency in the purchasing process, the Company also provides for:

- the segregation of duties of the unit requesting the supply and the unit that stipulates the contract;
- the traceability of awards made by keeping information and contractual documents for the periods established by applicable regulations and cited in internal purchase procedures.

Products and/or services purchased must in all cases be justified by actual corporate requirements as demonstrated by and resulting from internal evidence of the purpose of the purchase, identification of those requesting the purchase and the expenditure authorization process, within the limits of available budgets, and in all cases in accordance with internal procedures.

On conclusion of the process, and in all cases before payment of the relevant invoice, the Company verifies the quality, adequacy and promptness of the service received and the fulfilment of all obligations assumed by the supplier.

The stipulation of a contract with a supplier must always be based on relations of the utmost clarity, avoiding, where possible, entering into contractual relations that involve forms of reciprocal dependency.

Shared adherence to the Code is a necessary condition for establishing and maintaining relationships with suppliers.

Where it emerges that a supplier, in the performance of its activities for the Company, has acted in a manner that is not compliant with the content of this Code, the Company is entitled to take appropriate action to terminate the existing relationship and in all cases to preclude any further collaboration.

### **4.3 Customers**

In their relations with clients and in accordance with internal procedures, employees must pursue maximum client satisfaction, in full observance of the principles of maximum collaboration, availability, professionalism, transparency, confidentiality and protection of privacy.

The Company undertakes to guarantee adequate quality standards for products/services. Such standards are subject to periodic monitoring.

The Company further undertakes to acknowledge suggestions and complaints by clients by the use of appropriate and punctual communication systems.

Communications to clients are characterized by clarity and intelligibility, and comply with applicable regulations. The Company does not employ elusive or irregular practices, and provides clients with complete communications in order to avoid omitting any detail that may be significant in influencing clients' decisions.

#### **4.4 Inter-company relationships**

Carraro S.p.A. requires Group companies to adhere to the values expressed in the Code of Ethics and to collaborate fairly in the pursuit of its objectives, in absolute accordance with the law and applicable regulations.

The Company abstains from any conduct that is prejudicial to the integrity, independence or image of one of the companies of the Group.

The circulation of information within Carraro Group, in particular information used to compile the consolidated financial statement and other communications, must take place in accordance with the principles of veracity, propriety, completeness, clarity, transparency and in respect for the sphere of activity of each company.

The management and coordination activities of Carraro S.p.A are carried out through official communications to the corporate bodies of Group companies. Any business relations existing between Carraro Group companies must be duly formalized and conducted in accordance with the principles of propriety, the reality of underlying economic relations and protection of respective interests.

#### **4.5 Political organizations**

All employees may involve themselves in political activities only if they participate in a personal capacity, in their own free time, at their own cost and in accordance with applicable law.

The Company may not make direct or indirect contributions in any form, or allocate funds and financing in support of political entities unless admissible and provided for by law and applicable regulations, and in all cases subject to the preceding prohibition regarding employees.

#### **4.6 Environment protection**

The Company operates an environmental management system that complies with applicable national and international regulations. The system is based on the following fundamental principles:

- containment and reduction of polluting emissions;
- constant optimization of the employment of resources;
- development of products and services that are compatible with the environment.

The Company wishes to preserve public confidence in the integrity of its activities through constant efforts to adopt technical devices for reduction of the environmental impact of its industrial activities.

#### **5) Administrative and Accounting management policy and principles for market abuse prevention**

Accounting records and Financial Statements are based on generally accepted accounting principles (International Accounting Standards, at present: IAS/IFRS).

Each operation and transaction must be lawful, authorized, coherent and appropriate, and must be adequately recorded in order to enable verification of the process of decision, authorization and execution.

Consequently, each corporate department is responsible for complying with corporate operational procedures, the authenticity and veracity of documentation and information produced in the course of its activities, and collaborating to ensure that management actions are promptly reflected in a proper and truthful manner in financial statements, reports and other legally required company communications to shareholders, the public and the audit company.

Supporting documentation must be readily available and filed according to suitable criteria that allow them to be easily consulted, including by internal and external control bodies.

Furthermore, the Company prohibits any conduct by any person that is intended to support, encourage, facilitate and induce members of company bodies and department heads to breach one or more of the principles indicated hereunder.

The Company requires that all directors, department heads and employees conduct themselves in a proper and transparent manner in the performance of their duties, particularly in relation to any request by shareholders, the management body, other corporate bodies and the audit company in the exercise of their respective institutional functions.

Company directors are prohibited from any conduct intended to cause damage to the integrity of corporate assets.

Company directors must not undertake company transactions in breach of statutory provisions protecting creditors which are liable, even potentially, to cause damage to creditors.

External communication of information concerning the Company must be made exclusively by the department responsible for such communications and in accordance with company procedures that are intended to guarantee its veracity and proper dissemination.

Specific attention is drawn to the dissemination of communications regarding extraordinary transactions undertaken by any Carraro Group company concerning solicitation of investment, admission to stock market listing, takeover bids and stock-for-stock takeover bids, or commercial initiatives, negotiations and agreements of particular importance. In this regard, the Company carries out verifications and checks in order to ensure that legally required company communications, information on the company's situation provided to shareholders or to the market, and information on expected economic, financial and asset data (of both the Company and Carraro Group), as well as statements requested for the purpose of soliciting investment and documents to be published in the occasion of takeover bids or stock-for-stock exchanges are always made in accordance with fundamental principles of truthfulness, correctness, transparency, prudence, and are aimed at favouring the acquaintance with the Company's policies, programs and projects.

Equally, transactions concerning listed and unlisted securities undertaken on the behalf of and in the interests of both the Company and Carraro Group must be based on the principles of propriety, compliance with law and applicable regulations, truthfulness and transparency, giving market operators a full and correct understanding of the transaction and its underlying motives and providing informed guidance on investment choices and the protection of savings.

### **III Diffusion of the Code of Ethics and monitoring of its application**

#### **1) The body responsible for the diffusion and monitoring of the Code of Ethics: the Supervisory Body**

The Supervisory Body (SB), as defined above, is responsible for monitoring the performance and compliance with the Code of Ethics.

The SB is an internal body of the Company, vested with powers of initiative and control which it exercises autonomously and independently of the Board of Directors, the Company's other control bodies and any external body.

The SB is also vested with powers of inspection and control not only in relation to the Code of Ethics, but also concerning the Model, when adopted (to which the Code is annexed, therefore constituting an integral part thereof), and of its maintenance by means of periodic updating, specifically to prevent the offences indicated by Legislative Decree 231/01.

The SB has the task of formulating proposals aiming to adapt the Code to applicable regulations, taking account of the evolution of practice in this regard.

Persons concerned who become aware of breaches of the principles of the Code and other events liable to alter its scope and effect are obliged to promptly notify such occurrences by the methods set out at point III, 2), 2.2a hereunder.

The SB is also responsible for promoting the dissemination of the Code among persons concerned and assisting those who report non-compliant conduct, ensuring that the Company protects them from pressure, interference, intimidation and retaliation.

#### **2) Diffusion and monitoring**

##### **2.1) Diffusion**

##### **2.1a Communication and training**

In order to ensure that all persons concerned are informed, and for it to have binding force, the Code is:

- circulated within the Company by consignment of a copy to employees. A copy of the Code is posted on the corporate intranet and made available for consultation at the Internal Audit and/or Human Resources departments.

- disseminated externally (both the Company and Carraro Group) by a special information flow addressed to agents, contractors, consultants and suppliers and by publication on the website [www.carraro.com](http://www.carraro.com).

Furthermore, in order to enable the Code to be fully operational, the Company:

- guarantees prompt dissemination of the Code and subsequent updates and amendments among persons concerned;
- provides adequate supplementary training and information to employees, including for the purposes of resolving questions of interpretation regarding the contents of the Code of Ethics;
- guarantees that employees who are required to report breaches of the Code are not subject to any form of retaliation;
- formulates proposals to the competent bodies for the adoption of fair disciplinary measures that are commensurate with various types of breaches of the Code, in accordance with legal and contractual provisions applicable to each individual case;
- carries out periodic checks to verify compliance of the provisions of the Code.

Carraro encourages employees to constructively contribute to the contents of the Code, both in the implementation phase and subsequently, when any failings or necessary updates may become evident (following evolution of regulations or consolidated international practice, and experience acquired in the application of the Code itself), which must be reported to the SB.

### **2.1b Issues relating the interpretation of the Code of Ethics**

Persons concerned who have questions relating to the interpretation and application of specific provisions, or who require clarifications of the Code, should contact the Supervisory Body.

### **2.1c Amendments and revisions**

The Code is subject to periodic revision by the Board of Directors of Carraro S.p.A. and any substantial update, amendment, or supplement thereto must be approved by the Board using the same method used for its initial adoption.

The Chairman and Managing Director of Carraro S.p.A. do, however, have the power to make any modification of an exclusive formal character, provided that the content remains substantially

unchanged. The Board of Directors and the Supervisory Body of Carraro S.p.A. must be promptly notified of such amendments or supplements.

### **2.1d Conflicts with the Code of Ethics**

The Code must be considered as prevalent in the event that even a single obligation of the Code conflicts with the provisions of the internal regulations or procedures of the Company.

## **2.2) Monitoring**

### **2.2a Reporting breaches**

Persons concerned have an obligation to familiarize themselves with the Code, to actively contribute to its implementation, to report any failings or any actual or potential breach to the Supervisory Body by email, using an email address specifically established for this purpose by each Company, as follows:

Carraro S.p.A.:	<a href="mailto:info.odv@carraro.com">info.odv@carraro.com</a> ;
Carraro Drive Tech S.p.A.:	<a href="mailto:info.odv@carrarodrivetech.com">info.odv@carrarodrivetech.com</a> ;
Elettronica Santerno S.p.A.:	<a href="mailto:info.odv@santerno.com">info.odv@santerno.com</a> ;
Gear World S.p.A.:	<a href="mailto:info.odv@gear-world.com">info.odv@gear-world.com</a> ;
Mini Gears S.p.A.:	<a href="mailto:info.odv@minigears.com">info.odv@minigears.com</a> ;
Siap S.p.A.:	<a href="mailto:info.odv@siapgears.com">info.odv@siapgears.com</a> .

### **2.2b Treatment of infringements**

Once it has detected any breaches of the Code, the Supervisory Body instructs the competent bodies to instigate the relevant disciplinary procedures by the methods established by the disciplinary system at point III, 2), 2.2c hereunder, according to the type of transgression.

### **2.2c Penalty system**

Compliance with the provisions of the Code must be considered an essential part of the contractual obligations of employees of the Company, under and for the purposes of the applicable rules.

Therefore, any breach by employees of the provisions of the Code constitutes a violation of their primary obligations of their employment and a disciplinary offence, with all legal consequences, including with respect to the maintenance of their employment, and may also involve actions for compensation for damages arising therefrom.

For persons concerned who are not employees, observance of the Code constitutes a precondition for the continuation of the existing professional/collaborative relationship with the Company. Therefore, any breach of the provisions of the Code may constitute a breach of their contractual obligations, with all legal consequences, including in relation to the rescission of the contract and/or assignment, and may involve compensation for damages suffered by the Company.