Industrial relations and social dialogue

During 2013, the Group maintained the dialogue with trade unions and employee representatives to achieve consensus-based solutions for responding to different market conditions in each geographic area and reducing the impact on workers of measures adopted in response to conditions in Europe, which were particularly critical in Italy.

At the European level, establishment of a European Works Council (EWC) ensures workers the right to information and consultation as required by EU regulations applicable to Community-scale undertakings. The Fiat Group EWC was established in 1997 on the basis of the implementing agreement initially signed in 1996 and subsequently revised and amended. Since renewal of the agreement on 28 June 2011, however, the EWC has yet to be formally constituted, with representatives for four countries (out of a total of nine) still to be appointed. As a result, Fiat S.p.A. has been unable to call a meeting of the EWC in accordance with the established procedures. Fiat notified industriAll European Trade Union (the European federation of metal, chemical and textiles workers) of its willingness to initiate that procedure as soon as the EWC has been formed, as well as working jointly to find solutions for any obstacles to the correct constitution of the EWC that may still exist.

In Italy, Fiat S.p.A. and the trade unions FIM-CISL, UILM-UIL, FISMIC, UGL Metalmeccanici and the Associazione Quadri e Capi Fiat reached an agreement for renewal of pay conditions for 2013 under the company-specific collective bargaining agreement (CCSL).

This agreement was particularly significant given the current economic crisis in Italy and the continued difficulties in the auto sector in general. A mutually-agreed negotiation process enabled the Group to manage the crisis without redundancies or plant closures, focusing instead on significant new investments for the relaunch of the Group's manufacturing activities in Italy.

During the year, the Italian manufacturing activities benefited from leveraging the Group's premium brands to realign the product portfolio and reposition the business.

In particular, January saw the inauguration of the Avv. Giovanni Agnelli plant in Grugliasco (Turin, Italy), where the Maserati Quattroporte and Maserati Ghibli are produced for export to markets worldwide. Fiat invested more than €1 billion in development of the two new models and preparation of the plant for production.

In July, the Group presented plans for future activities at the Sevel plant in Atessa, Italy (operated as a 50/50 JV between Fiat Group Automobiles and PSA–Peugeot Citroën for production of LCVs), where the Fiat Professional Ducato is currently produced. Approximately €700 million is to be invested in the facility over a 5-year period.

During the year, the Group also launched a program of investments at the SATA Melfi plant (Italy), announced at the end of 2012, where more than €1 billion will be spent on upgrades in preparation for production of the new 500X and a Jeep brand vehicle.

As in previous years, the CEO met with trade unions (signatories to the CCSL) to present the Group's half-year financial results. At a meeting in September, the Group and trade unions renewed their mutual commitment to strengthening the contractual relationship, which was recognized as essential to Fiat's continued commitment to an industrial presence in Italy. On the basis of that renewed commitment, the CEO announced that the Group would commence the investment necessary to ensure future production and jobs at the Mirafiori plant in Turin.

The Ministry for Economic Development continued to examine solutions for maintaining industrial activities at the

Termini Imerese plant where, as announced in 2009, the Group ceased production in December 2011.

Collective Bargaining

Collective bargaining at various levels resulted in agreements with trade unions on both pay and work conditions in several countries.

In Italy, Fiat S.p.A. reached agreement with unions on renewal of pay conditions under the CCSL applicable to Group employees in Italy from 2012. The agreement provides for an average increase in basic pay of €40 gross per month, in addition to the introduction of an individual productivity bonus, payable monthly, based on the actual number of hours worked. Also finalized during the year was the structure of the FASIF supplementary healthcare scheme, which offers employees different contribution and service levels, in addition to free basic healthcare cover automatically provided by the Company. As of January 2013, employees under the CCSL are also eligible for a Long-Term Care scheme (covering long-term disabilities requiring care) and bi-annual checkups for cardiovascular conditions and metabolic syndrome.

The agreement applies for the 2013 calendar year and in November 2013 the Company and unions began negotiations for renewal of the agreement.

In France and Poland, the results of the company-level collective wage bargaining reflected the negative earnings results in Europe which, together with continuing negative market conditions, required that any collective wage increases be strictly limited.

In Serbia, the 3-year collective agreement applicable to employees of Fiat Automobiles Serbia d.o.o Kragujevaç was renewed. The negotiation on wage conditions resulted in average increases in line with inflation. The agreement also provides for an individual “Christmas Bonus” based on the actual number of hours worked.

In Canada, CpK Interior Products Inc. (owned by Chrysler Canada Inc.) and the United Steel Workers (USW) negotiated a new 4-year collective agreement providing competitive labor cost provisions and work rules.

In Mexico, Chrysler Group and the Sindicato Nacional de Trabajadores de la Industria Automotriz Integrada Similares y Conexos de la Republica Mexicana reached a new 3-year agreement, which terminates on 9 May 2016. The agreement represents the Mexican automotive manufacturing sector’s first ever multi-year agreement.

In 2013, the level of labor unrest at Fiat Group companies in Italy was negligible, both in terms of the number of instances and the number of employees taking part, despite appearances based on the level of public attention given to certain issues. Local labor action during the year was also negligible.

Outside Italy, the overall level of labor unrest was again negligible this year, and mostly involved local issues at individual plants.

Management of Production Levels

In 2013, the Group’s earnings results once again reflected the benefits of geographic diversification.

The Group was able to respond to increased activity levels in some markets through the use of flexible labor mechanisms. Market conditions also enabled conversion of the majority of fixed-term contracts into permanent contracts.

In Europe, the significant contraction in market demand had an impact on production levels in Italy, in particular, making temporary production stoppages necessary. However, the Group maintained its policy of protecting jobs through the use of temporary layoff benefit schemes, where possible, or other mechanisms provided under collective bargaining agreements or company policy.

In Italy, use of temporary layoff benefit schemes enabled the Group to manage production declines, as well as restructuring and reorganization activities related to the Group’s investment programs.

In other European countries, there was only a marginal level of production stoppages – implemented through the use of temporary layoff benefit schemes, where possible, or other mechanisms provided under collective bargaining agreements or company policy – as well as restructuring and reorganizations. In the early part of the year, the Group completed the reorganization at the Fiat Auto Poland plant in Tychy announced in December 2012.

In Brazil, the need to increase production in response to higher market demand was primarily managed through use of flexible labor mechanisms already in place and reorganization of shifts, based on union agreements.

Chrysler Group increased vehicle production at its NAFTA facilities in response to increased product demand. Staffing levels were increased to support higher output levels, including manufacturing employees to support current and anticipated production volumes, as well as additional engineering, research and development and other highly-skilled employees to support product development, sales, marketing and other corporate activities.

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