



**INNOVATION**



**PRODUCT  
DEVELOPMENT**



**MANUFACTURING  
PROCESSES**

# 03

## LIFE CYCLE OF OUR PRODUCTS



■  
**LOGISTICS  
PROCESSES**



■  
**SALES  
AND POST-SALES**



■  
**PRODUCT USE  
AND END-OF-LIFE**



The following section describes the phases of the life cycle of our products, from conception to end of life. It also describes the impact of each phase on the environment, and the role played in each phase by the main external stakeholders, i.e., suppliers, dealer and service networks, and customers.



# INNOVATION



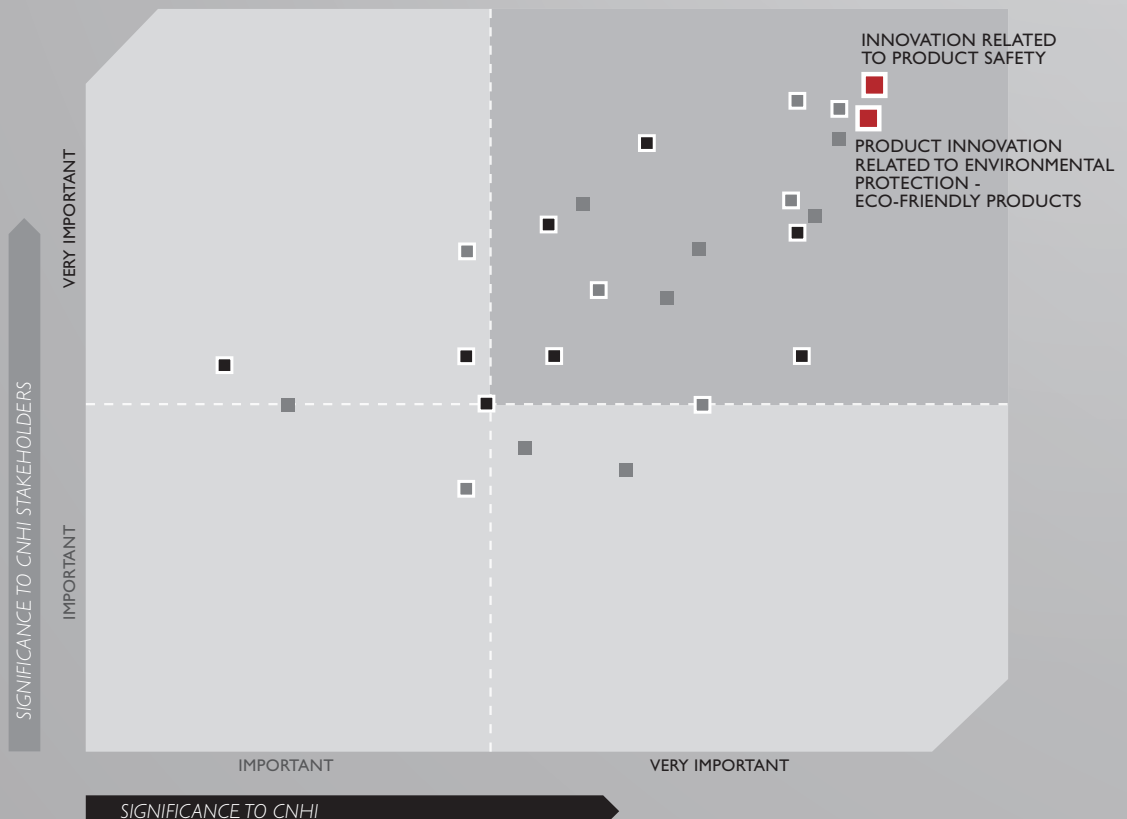
SUPPLIERS • PUBLIC INSTITUTIONS • CUSTOMERS



G4-16; EN27



7,710 active patents  
owned

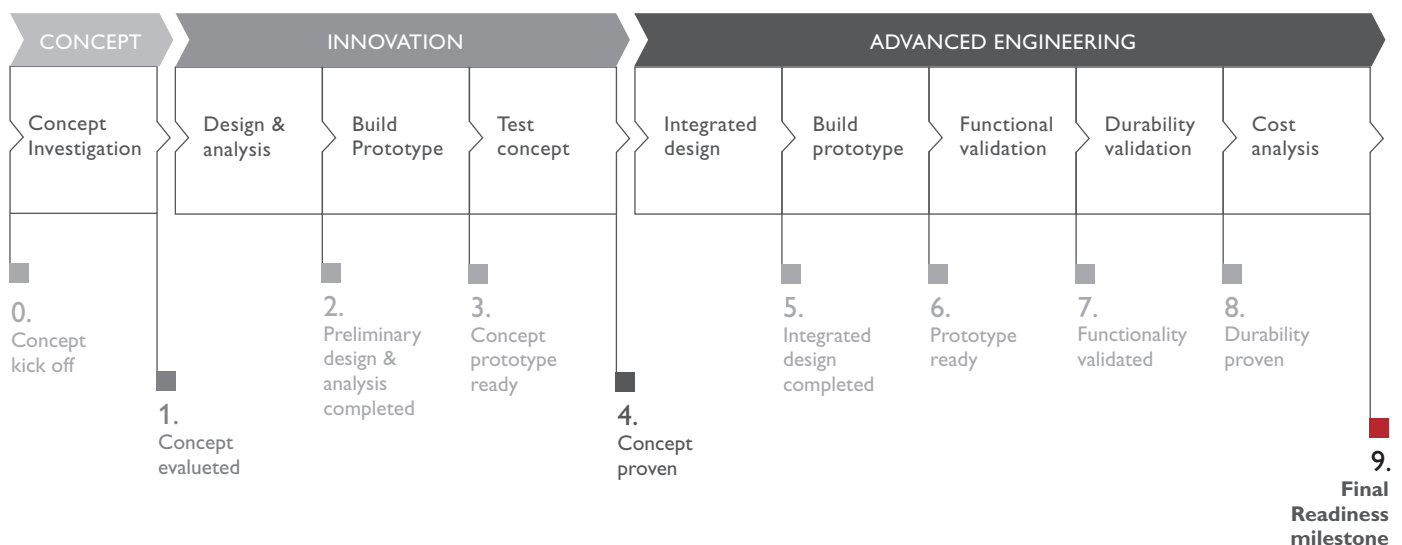


CNH Industrial believes that innovation is essential to offering products that are consistently high-tech, eco-friendly, ergonomic, safe and cost-effective. The new Company has established the Innovation function dedicated to research and development (R&D), as a part of Product Development and Engineering. It operates across the board, encompassing every business and every geographical area where dedicated teams are specifically developing innovative products related to the distinctive needs of the region, including in emerging markets.

## OUR APPROACH

CNH Industrial's innovation process consists of a series of clear-cut steps, from the evaluation of innovative concepts up to the final step before product development (see also pages 133-135). There are nine steps in total, grouped into three overall macro-phases: concept, innovation and advanced engineering. The application of an idea to a product requires an average of two to five years, based on the complexity of the idea itself.

### INNOVATION PROCESS



The **Concept** phase, the first in the innovation process, is the most creative and is deliberately unstructured. It mainly focuses on concept and elaboration, and on the assessment of one or more technologies and their potentials. At this point, collaborations are established with companies of excellence, i.e., potential partners for current or future projects, and the activities carried out relate to technology scouting, benchmarking, and customer evolution trend-analysis to identify needs and opportunities for improvement and enhancement. This phase also encompasses the creative ideas submitted through the Open Innovation tools. Any idea suggested during the concept phase is evaluated by a group of experts; in the event of a positive outcome, it becomes an innovation project and moves on to the next phase. The initial feasibility study is carried across the four steps of the **Innovation** phase, at the end of which the product must meet every technical requirement to move forward, or the project is discontinued.

During the **Advanced Engineering** phase, which follows Innovation, the design is integrated and completed and a prototype is created to assess functionality and stability through virtual and field testing. This phase also defines the adoption of new technologies, new material purchasing needs, and the realization of components not yet identified during the previous phase. If necessary, suppliers are engaged at this time to collaborate in the joint development of components required to execute the project. Cost analysis is the last step of the innovation process: if economic requirements are unmet, the project is discontinued. If the project meets the requirements, on the other hand, as in 90% of cases, it is handed over to the product development platform, where it is processed for subsequent production.

## OPEN INNOVATION

Innovation at CNH Industrial welcomes the active contribution of all employees, customers, suppliers, public and private institutions, research centers and universities, within a tight information-sharing network.

Today, information is far more widespread and accessible than in the past, so that to remain competitive and successful, Company expertise must be paired with a willingness to open up to the outside world and find new ideas and skills wherever they may reside, irrespective of geography or sector. This approach enhances the capacity to solve problems while offering quick and innovative solutions. For this reason, the Company adopts the Open Innovation method, which aims at creating a global network among international partners from different professional fields, capable of boosting the efficiency and effectiveness of the idea generation process.

805

new patents  
proposals



**Employees** are the Company's main resource, and they are engaged in many ways to suggest innovative ideas. For example, by using the online Innovation Portal accessible via Web and through the corporate intranet, employees can submit new patent proposals. The applications and patents entered in the database are regularly evaluated by designated teams, centrally managed by the Intellectual Property Department. The goal is to stimulate the generation of new product-enhancing ideas through an incentive plan that rewards employees whose ideas result in a patent or patent application. Each step of the process can be followed via the portal. The Innovation Portal was originally created for CNH companies, but it will be gradually extended to all employees worldwide after adequate training. In 2013, it was made available to Iveco and FPT Product Development employees in Turin (Italy) and Sete Lagoas (Brazil). The remaining Trucks and Commercial Vehicles and Powertrain centers will be trained at the beginning of 2014, enabling full portal access across all CNH Industrial sites. During 2013, employees submitted 805 new proposals.

Another important practice in the generation of ideas is the collection of employee suggestions for improvements within the scope of the World Class

Manufacturing (WCM) program. In 2013, 375 thousand suggestions were submitted across WCM plants, an average of ten per person. Suggestions are collected at individual plant level, and cover many topics such as cost reduction, workplace organization, equipment safety and efficiency, and improvements to the work environment and to quality.

The Customer-Driven Product Definition (CDPD) process developed by CNH Industrial companies provides for the active engagement of **customers**, giving voice to their actual needs and enabling them to actively participate in the development and testing of new models. The CDPD process consists of customer visits and surveys, analysis of customer suggestions, meetings with product development teams, testing stages (during which customers try out new model prototypes and compare their main features) and, finally, the integration of customer feedback into final product specifications. This process results in the design of products that not only ensure optimal performance and efficiency, but also satisfy the requirements of those who will be using them on a daily basis.

As always, the Company also encourages **suppliers** to actively contribute to innovation proposals. In particular, the *Supplier Performance* (Su.Per) program advocates a proactive attitude to business, and allows sharing the economic benefits arising from the introduction of the innovative methods and technologies suggested (see also page 155). In 2013 several initiatives continued in order to promote the exchange of ideas and information, as the *Technology Days* (12 workshops held) attended by approximately 1,200 people. Suppliers that lead the industry in innovation, technology and quality met at *Technology Days* events to discuss particular topics and share information on the latest technological developments (see also page 154).

## OPEN INNOVATION

CNH INDUSTRIAL WORLDWIDE (no.)

|                   | 2013    | 2012    | 2011 |
|-------------------|---------|---------|------|
| Innovation portal | 805     | 624     | 424  |
| WCM proposals     | 375,000 | 375,000 | n.a. |
| Technology Days   | 12      | 10      | 17   |

## INTELLECTUAL PROPERTY

CNH INDUSTRIAL WORLDWIDE (no.)

|                                   | 2013  | 2012  | 2011  |
|-----------------------------------|-------|-------|-------|
| Patents (active)                  | 7,710 | 6,488 | 5,983 |
| of which approved during the year | 1,036 | 887   | 911   |
| Patents under examination         | 2,242 | -     | -     |
| of which filed during the year    | 672   | 510   | 474   |

## PARTNERSHIPS AND PROJECTS

CNH Industrial believes that working groups and research projects are a winning strategy for expanding the Company's wealth of knowledge and skills, and for stimulating a dynamic exchange of ideas. Therefore, in addition to the long-standing partnerships with the *Università di Torino*, *Politecnico di Torino* and *Politecnico di Milano*, CNH Industrial companies collaborate with about thirty universities in North America (USA and Canada), Europe (Italy, Spain, Germany and Belgium), Latin America (Brazil) and Asia (China), with the aim of increasing their capacity for innovation. FPT Industrial, for example, started a new collaboration with the *Fondazione Politecnico di Milano* focusing on computerized simulations of the combustion process, the spray action in exhaust gas after-treatment systems, and coating validation tests. This partnership joins those already in place with the *Politecnico di Torino*, *Politecnico di Milano* and *Politecnico di Zurigo*, focusing on combustion process optimization, and with Imperial College London, aiming at enhancing boosting systems. Trucks and Commercial Vehicles is also currently participating in 14 collaborative projects; it boasts partners of excellence including prestigious universities such as the *Universidad Politécnica de Madrid* (Spain), *Aristotle University of Thessaloniki* (Greece), and the *Centre National de la Recherche Scientifique - Laboratoire d'Economie des Transports* (France).



CNH Industrial has a long tradition of involvement in national and international working groups, and has played an active role in collaborative research for some years now. The main focus areas are: precision agriculture (see also page 143), fuel economy, alternative fuels (see also pages 138-142) and efficient use of alternative drives (see also page 142).

CNH Industrial is involved in two projects under the Seventh Framework Program of the European Commission, focusing on **precision agriculture** as a means towards more sustainable production. The first is called *Robot Fleets for Highly Effective Agriculture and Forestry Management* (RHEA), developed by a consortium of 19 partners. It aims at a 75% reduction in the use of chemicals, with subsequent improvements in crop quality and human health and safety, as well as at a reduction in production costs.

The second project is called *Clever Robots for Crops* (CROPS), with 14 partners involved, and concerns the development of a highly configurable and modular platform capable of spraying substances onto foliage only, and of harvesting fruit selectively. CROPS also aims at developing techniques for the reliable detection and classification of obstacles and other objects, enabling autonomous navigation and effective platform operations in plantations and forests.

## VECTOR 2015

## OUR PROJECTS



The VECTOR 2015 project coordinated by Iveco and co-financed by the Ministry of Economic Development was concluded in 2013. The project, aimed at developing a mid-size eco-compatible vehicle for optimized and multi-role urban transport, was the result of a collaboration among twenty partners including Centro Ricerche Fiat, small and medium Italian enterprises, and the universities of Catania and Parma. The VECTOR project involved the creation of a network of innovative companies linked by the common goal of achieving industrial excellence and competitive growth.

Two **eco-sustainable** and cost-effective prototypes were created using alternative drives and other technological solutions. Both demo vehicles were hybrid: one equipped with a diesel-electric system, the other with a diesel-hydraulic propulsion system. The use of hybrid propulsion led to a significant reduction in fuel consumption and CO<sub>2</sub> emissions, especially by exploiting the energy recovery potential when braking. The demo vehicles, with an architecture optimized for urban transport, are fitted with new electric parking brakes and a new steering wheel with a fixed central hub. They also have an innovative CO<sub>2</sub> cooling system. To improve vehicle energy balance for refrigerated transport, pioneering photovoltaic solar panels were installed in the bodywork. Other innovative features relate to comfort: soundproof cabs and external noise reduction using recycled materials; air filtering systems using electrostatic filters; and new seats with anti-stain fabrics.

**Safety** features were not overlooked: both prototypes were equipped with preventive safety systems, including the Emergency Braking system extended to urban settings, for the prevention of frontal collisions, and a Vulnerable Road Users single-camera system, for the safety of pedestrians and cyclists during vehicle restart.

Another area of interest relates to integrated projects focusing on the transport of goods in urban areas, especially in the so-called **last mile**, where advanced logistics and the right vehicle can significantly contribute to reducing CO<sub>2</sub> emissions. In this regard, a key project is PIE VERDE, involving 27 companies, including large, medium, small, and micro-enterprises, two universities and a research center. The thirty partners involved are testing new engines with low environmental impact for use in urban settings.

The project entails the development of modular architectures capable of adapting to different use settings, advanced electric and hybrid drive systems, and an innovative storage and charging system. The project will also evaluate the use of innovative materials and explore new strategies for on-board loss reduction and energy recovery.

Research activities concerning **long-distance transport** include the *Complete Vehicle Energy-saving Technologies for Heavy-Trucks* (CONVENIENT) project, involving 21 European partners.

The project aims at reducing vehicle fuel consumption by 30% using innovative architectures and solutions with enhanced component integration for on-board energy saving and recovery. Solutions include hybrid drives, electrified auxiliary systems, dual level cooling systems, energy collection and storage devices, solar photovoltaic roofs for trucks and trailers, and advanced active and passive aerodynamic devices for trucks and trailers.



The global approach to energy saving also entails the active engagement of drivers, while supporting them with adequate structures and systems.

In 2013, aiming at **optimizing transport capacity**, road tests continued on 18-meter long tractor and semitrailer systems in the scope of the DICOTTO project, under the ANFIA association and in collaboration with the Ministry of Infrastructure and Transport. Between January and June 2013, these vehicles covered 1.04 million kilometers, bringing total road testing to over 6.8 million kilometers, surpassing the target set in the Sustainability Plan.

## RESEARCH AND DEVELOPMENT IN NUMBERS

In 2013, CNH Industrial's expenditure on research and development reached a total of €934 million, or 3.8% of the Company's net revenues from industrial operations.

R&D activities involved 6,280 employees (+7.4% compared to 2012) at 48 centers worldwide, five of them located in the LATAM Region employing 787 people (+14% compared to 2012), and one that opened in China in 2013.

### RESEARCH & DEVELOPMENT HIGHLIGHTS

CNH INDUSTRIAL WORLDWIDE (€ million)

|   | 2013       | 2012       | 2011       |
|---|------------|------------|------------|
| Number of research centers                          | 48         | 49         | 51         |
| Number of R&D employees                             | 6,280      | 5,845      | 5,000      |
| <b>Total R&amp;D expenditure<sup>1</sup></b>        | <b>934</b> | <b>895</b> | <b>742</b> |
| of which on Agricultural and Construction Equipment | 538        | 520        | 384        |
| of which on Trucks and Commercial Vehicles          | 298        | 289        | 254        |
| of which on Powertrain                              | 98         | 86         | 104        |

<sup>(1)</sup> Inclusive of capitalized R&D costs and R&D costs charged directly to the income statement.

## OUR PROJECTS

### NEW R&D CENTER IN CHINA

In 2013, a Product Development Center was launched next to the plant in Harbin, province of Heilongjiang (northeastern China). The Center's aim is to turn the plant into the largest regional hub for agricultural equipment, with a particular focus on the specific requirements of the Chinese market. The Center, which is an integral part of the Company's global R&D network, implements the Global Product Development process (see also page 133) and an integrated product data management system, which allows sharing resources and know-how with all other R&D centers. The development of a corn harvester began in 2013 to meet the demand of Chinese farmers.







# PRODUCT DEVELOPMENT



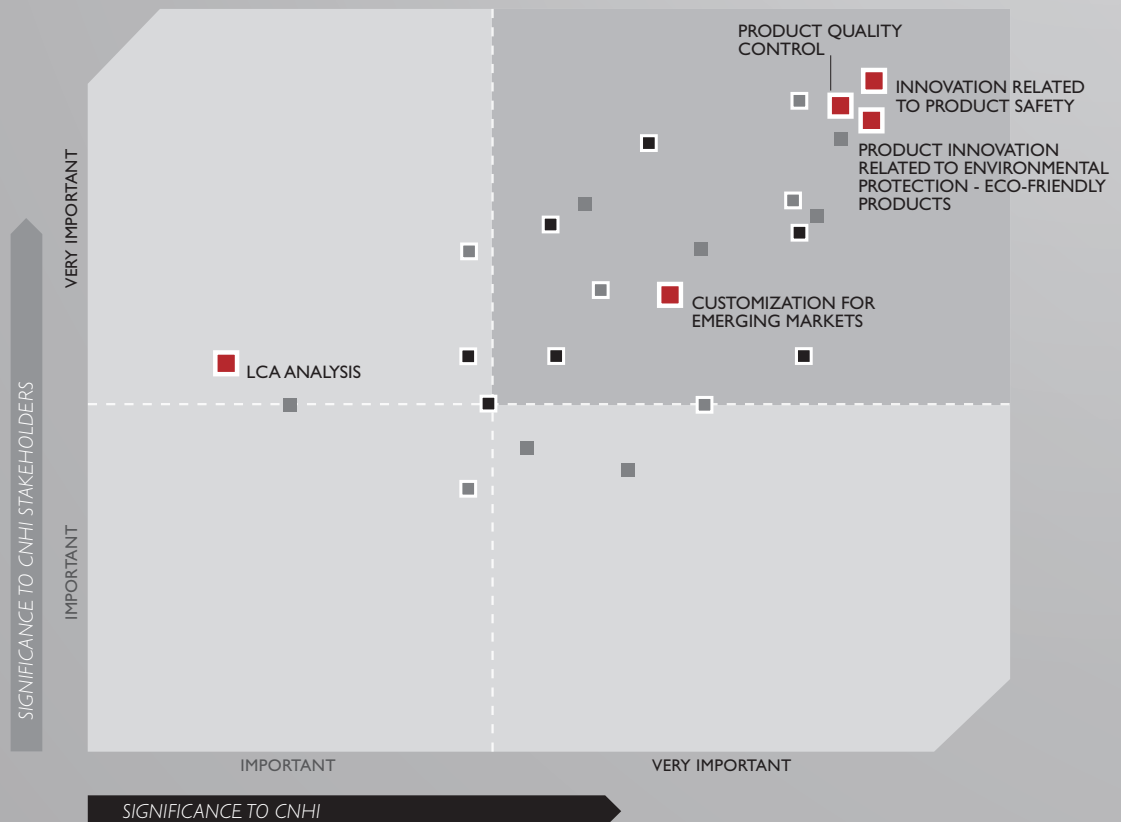
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DMA; EN27; PR1



75% of engines  
compliant with the latest  
emission levels



CNH Industrial's commitment, as stated in the Code of Conduct<sup>1</sup> and in the Environmental Guidelines<sup>2</sup>, is to develop and offer its customers high performing products with low fuel consumption, thus maximizing productivity and minimizing environmental impact. As evidenced by the materiality analysis, the issues central to both CNH Industrial and its stakeholders are those concerning the products themselves, especially user safety, product quality, and environmental impact. Indeed, customers use CNH Industrial products for work purposes, and their safety and efficiency of use increases productivity and brand loyalty. Many of the targets are set out in the Sustainability Plan (see also pages 113-115) and are included as individual goals in the Performance and Leadership Management system (see also page 46).

The highest responsibility for initiatives regarding all aspects of CNH Industrial products lies with the Global Product Committee (GPC), which is made up of all members of the Group Executive Council (GEC) and reports directly to the Chief Executive Officer. All aspects related to the findings of the materiality analysis, environmental awareness, and safety standards are accounted for during product design, which is overseen by Product Development and Engineering. CNH Industrial adopts an ecodesign approach, employing solutions in the design phase that aid product dismantling and remanufacturing (see also page 204), and the recycling of end-of-life products differentiated by type of material.

The process of designing a new product is set out in Global Product Development (GPD), common to all brands, which guides and monitors all stages of the design process and evaluates their effectiveness. Priority is given to the use of easily recyclable materials, especially recoverable metals, such as aluminum and cast iron, thermoplastics, and paints with low solvent content. The information on component composition is available in the International Material Data System (IMDS) online database (see also page 154), which also specifies the substances listed in the European regulation on Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH), and flags the presence of Substances of Very High Concern (SVHC). The database monitors the data entered by suppliers in real time, and generates an alert if an SVHC is detected, while enabling the search for a substitute.

CNH Industrial is increasingly focusing on the environmental impact of the entire life cycle of its products. During 2013, FPT Industrial launched a pilot project to assess the carbon footprint of the F1C diesel engine. This project is the first step towards the adoption of a Life Cycle Assessment (LCA) methodology, which assesses the energy consumption and environmental impact throughout the product life cycle, and not just the greenhouse gas emissions as in carbon footprint calculations.


## OUR APPROACH

At CNH Industrial, the development and launch of new products is managed through dedicated platform teams for each product class. Coordinated by the Product Development and Engineering department, platform teams are responsible for management of the entire product life cycle, from development of new products to maintenance of existing products.

Each team is composed of representatives from the following functions:

- Brand – definition of market requirements, including regional variations
- Product Engineering – product design and fulfillment of technical requirements
- Design Analysis & Simulation – virtual analysis of product
- Product Validation – product validation and certification
- Manufacturing – planning and preparation for production
- Purchasing – procurement of parts and materials from external suppliers (time, cost and quality)
- Parts & Service – management of spare parts
- Product Quality & Technical Support – monitoring correct implementation of processes to ensure quality of final product
- Finance – monitoring budget and investment, analyzing profitability of new product programs and related activities.

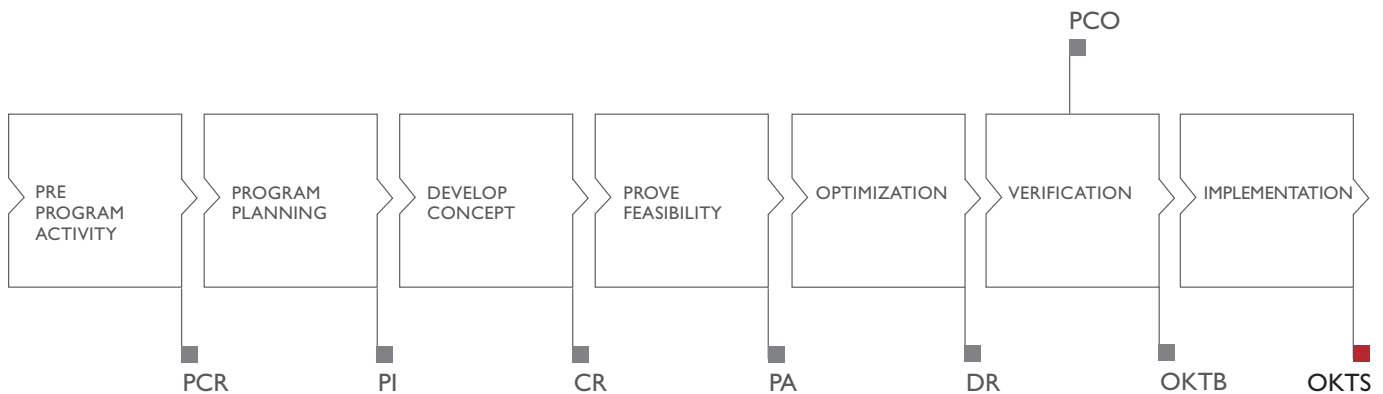
 GRI-G4  
DMA

 Glossary  
Carbon Footprint, DMA,  
IMDS, LCA, REACH, SVHC,  
Stakeholders

<sup>(1)</sup> The Fiat Group 2003 Code of Conduct was adopted by Fiat Industrial in 2011 and subsequently by CNH Industrial in September 2013, following approval by the Board of Directors. It is available on the Corporate website.

<sup>(2)</sup> The Environmental Guidelines were issued by Fiat Group in 2009 and subsequently by Fiat Industrial in 2010 and by CNH Industrial in September 2013, following approval by the Board of Directors. They are available on the Corporate website.

## GLOBAL PRODUCT DEVELOPMENT PROCESS



The platform teams follow a standardized Global Product Development (GPD) process, which itself is subject to continuous monitoring and revision. Although application is standardized across geographic regions, the process allows for variations in product specifications to meet local requirements, including those specific to emerging markets. GPD consists of six phases, each consisting of a set of activities and deliverables that are assigned to one or more functions. The milestones at the end of each phase consist of reviews to determine whether the objectives have been met before the decision is made to continue to the next phase. This approach facilitates optimized resource planning, allocation of investment, setting of clear objectives, improved ability to forecast and manage risk and, ultimately, development of a quality product.

Prior to the start of the GPD Process is **Pre Program Activity**, which includes an evaluation of customer requirements and a preliminary estimate of time and cost. The Customer-Driven Product Definition process (CDPD) – which analyzes the needs of and feedback from the brand's customers – plays a major role in this phase. At the Product Change Request (PCR) milestone, the first in the process, the product profile is formalized and a research and design budget established.

Following approval of the PCR, the **Program Planning** phase is then initiated. Deliverables for this phase include an in-depth market analysis (customer segmentation, volumes, price and content offered by competitors), development of a risk assessment matrix, an initial cost estimate (both R&D and launch) and an analysis of expected financial returns. A catalogue of key systems/components is also compiled and style theme is selected.

The deliverables for this phase are designed to enable early identification and resolution of the majority of potential future issues, thereby providing a solid base for the best possible project outcome and a quality final product. The achievement milestone for this phase is Program Initiation (PI).

Once PI has been approved, the **Develop Concept** phase then begins. Deliverables for this phase include creation of the first virtual prototype for validation of technical content and review/identification of patent requirements. A critical parts list is prepared together with identification/analysis of potential supply issues/constraints and the need to involve suppliers in the design process. The Manufacturing department begins planning actions necessary for configuration of the production line. Completion of all deliverables to be done in this Phase is verified as part of the Concept Review (CR) milestone, which marks/represents definition of the principal technical solutions for the vehicle's main systems.

The next step in the process, the **Prove Feasibility** phase, consists of more than 40 deliverables including virtual and physical validation activities to confirm the feasibility of the concept, finalization and release of parts plan, style design freeze and definition of the manufacturing project plan.

The Program Approval (PA) milestone which completes this phase is particularly important because it serves as the decision point for proceeding with the full investment program and setting targets (time, cost, quality) that will be used as benchmarks for final evaluation of the project.

The next phase is **Optimization**, which includes deliverables for sub-system and component testing, software validation, as well as definition of the critical-for-launch components list. During this phase, Product Validation verifies the design on full prototypes called Development Builds, and Product Engineering then releases design details so that other functions (primarily Purchasing, Manufacturing and Parts & Service) can complete sourcing, production planning, and parts stocking based on the validated final design. Achievement of the Design Release (DR) milestone represents completion of this phase.

The next step, the **Verification** phase, consists of more than 20 deliverables which cover areas such as product safety, training of plant personnel, drafting of owner and maintenance manuals, and product certification. This phase includes the Production Change-Over (PCO) milestone, which formalizes production phase-out for existing components and production phase-in of components for the replacement product. This milestone is also critical because phase-out of production of components for the existing product could result in a suspension in production and supply to the sales network in the event of a delay in launch of the new product. Other activities during this phase include the evaluation of training needs for the sales network and customer product trials. The phase concludes with achievement of the OK to Build (OKTB) milestone, following verification that the plant, including equipment and employees, are ready for production launch.

The **Implementation** phase can then be launched with deliverables ranging from final validation of safety, product certification, quality and availability of spare parts. This phase concludes with achievement of the OK to Ship milestone (OKTS), which authorizes shipment to dealers and customers.

The length of the product development process varies by business line and amount of new content and can range from 18 to 36 months. Where necessary, further product improvement activities (i.e., cost reductions or resolution of any critical issues arising post-launch) may continue after product launch, until targets are met. The platform teams maintain responsibility for improvement of current products, establishing action plans for achievement of quality and cost reduction targets together with timing for implementation.

In all phases of the GPD, maximum priority has been given to:

- using recycled materials and eliminating hazardous substances
- reducing the environmental impact of products during use
- implementing high safety standards
- optimizing ergonomics and comfort.

## OUR PROJECTS



### THE F1 ENGINE CARBON FOOTPRINT

FPT Industrial launched a project in 2013 to assess the carbon footprint of the F1 engine, in order to quantify CO<sub>2</sub> emissions during the product's life cycle and implement mitigation measures. The F1 is a light diesel engine for commercial vehicles manufactured at the Foggia plant (Italy). The first phase of the project, completed at the end of 2013, focused only on cradle-to-gate emissions, i.e., from raw material extraction to the factory gate, excluding use and end-of-life phases.

The robustness of the assessment model has yielded reliable and qualitatively significant data; as a result, the study can serve as a foundation for a more in-depth analysis, to be followed by appropriate measures for reducing overall greenhouse gas emissions during the engine's manufacturing phase. The project will continue with the analysis of the engine's use and end-of-life phases, reaching completion in 2014.



GRI-G4  
DMA



Sustainability Plan  
Our commitments on page 113



Glossary  
Carbon footprint, Ergonomics,  
DMA, LCA

## REDUCTION OF PRODUCT EMISSIONS

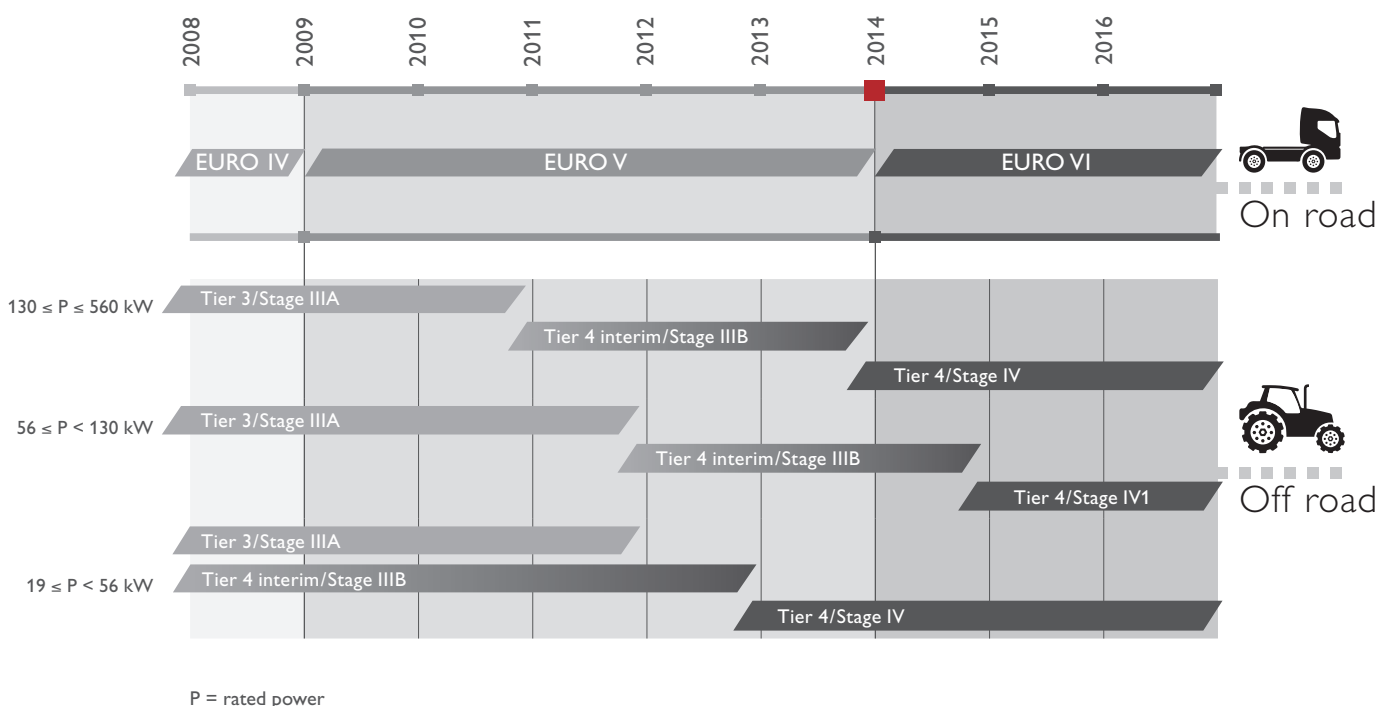
Since the use phase of its products can generate up to 85% of the CO<sub>2</sub> emissions of their entire life cycle<sup>1</sup>, CNH Industrial strives to ensure a portfolio of products ever more eco-designed, performant and environmentally friendly, by increasing efficiency and by reducing consumption and subsequent polluting and CO<sub>2</sub> emissions. Given that the latest regulations in force have reduced polluting emissions, i.e., nitrogen oxides and particulate matter, to the minimum measurable levels, the challenge for the future is to reduce CO<sub>2</sub> emissions by optimizing the management of the energy produced by vehicles.

## POLLUTING EMISSIONS

The quantity of **pollutants** produced by combustion is regulated by a series of standards that progressively reduce the maximum amounts of nitrogen oxides (NO<sub>x</sub>) and particulate matter (PM) permitted. The European Union (EU) and the United States Environmental Protection Agency (EPA), along with emerging countries such as China, are adopting increasingly stringent standards to reduce air pollution. The body of laws regulating emission levels includes Euro standards for heavy commercial vehicles and buses, and EPA Tier standards and EU Stage standards for agricultural and construction equipment.

### EMISSIONS STANDARD

ENGINES FOR ON-ROAD/OFF-ROAD VEHICLES



Diesel engine combustion produces a series of pollutants, including NO<sub>x</sub> and PM; their levels in exhaust gases depend mainly on the temperature of the combustion chamber, determined in the design phase of the engine. NO<sub>x</sub> gases are produced at about 1,600°C, while almost all PM particles burn at high temperatures. A choice must therefore be made between optimized combustion, producing less PM but more NO<sub>x</sub>, or less efficient combustion, with the emission of fewer NO<sub>x</sub> and more PM. Lower PM levels are achievable with a Diesel Particulate Filter (DPF), which must be periodically regenerated because of particulate build-up over time, while two systems allow cutting NO<sub>x</sub> emissions. The first is Exhaust Gas Recirculation (EGR), in which exhaust gases are recirculated in the combustion chamber to lower its temperature, thus reducing NO<sub>x</sub>.

GRI-G4  
EN27

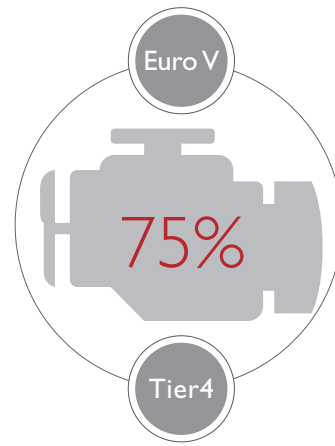
Sustainability Plan  
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Glossary  
EGR, Euro VI,  
EPA, NO<sub>x</sub>, PM, Tier

<sup>(1)</sup> ACEA Position on Life Cycle Assessment, 2012.

The system, however, penalizes engine efficiency and increases particulate production, thus requiring frequent DPF regeneration. The second system is Selective Catalytic Reduction (SCR), which maintains optimized combustion and reduces NO<sub>x</sub> emissions through the addition of a reductant (ammonia, obtained from AdBlue). This produces little PM and requires less frequent DPF regeneration.

Since 2005, FPT Industrial has developed and introduced a SCR system that uses AdBlue, a urea and demineralized water solution, for NO<sub>x</sub> reduction: the exhaust gases pass through the AdBlue, which reacts in the presence of a catalyst, decomposing NO<sub>x</sub> into non-polluting molecules (O<sub>2</sub> and N<sub>2</sub>). The solution, known as the ECOBlue™ HI-eSCR system and adopted by New Holland Agriculture on its high power tractors, received the AE50 award in 2013 from the American Society of Agricultural and Biological Engineers.



of engines compliant with the latest emission levels

In the **off-road** engine sector, the Company will continue to rely on SCR technology for high-power engines, while Compact Light CEGR technology with an Exhaust Gas Recirculation system will be adopted for engines below 88 kW. Construction equipment sold by CNH Industrial complies with Tier 2 standards or above in all markets where the Company operates.

During 2013, the range of Tier 4A/Stage IIIB products sold comprised:

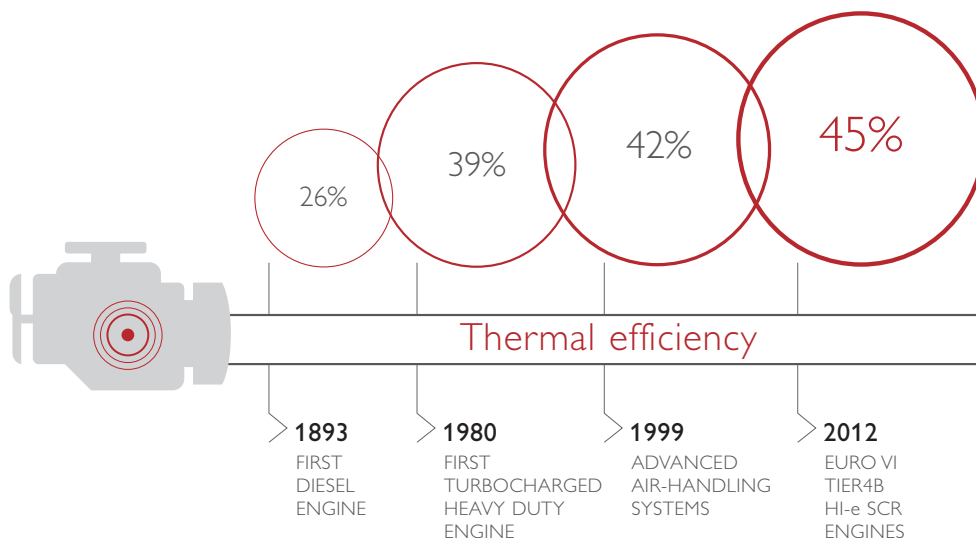
- 134 agricultural equipment models
- 91 construction equipment models.

For its **on-road engines**, FPT Industrial has patented the High Efficiency SCR (HI-eSCR) system, enabling compliance with Euro VI standards prior to their commencement date. HI-eSCR uses an innovative emission control system that enables active AdBlue dosing thanks to a network of integrated sensors that monitor the levels of nitrogen and ammonia. The main advantages consist in the increased reliability and low operating costs, owing to less engine wear and longer intervals between scheduled maintenance (up to 150 thousand kilometers) and oil changes. In addition, the HI-eSCR engine and exhaust gas after-treatment system have a simple and compact design, reducing weight and installation space.

## CO<sub>2</sub> EMISSIONS

CNH Industrial endeavors to manufacture products with ever-greater efficiency and ever-lower CO<sub>2</sub> emissions by:

- optimizing consumption and energy efficiency (see also page 138)
- increasing the use of alternative fuels (see also page 139)
- developing non-conventional propulsion systems (see also page 142)
- offering telematics systems that improve productivity (see also page 143)
- helping customers to use vehicles as efficiently as possible (see also page 203).



GRI-G4  
EN27

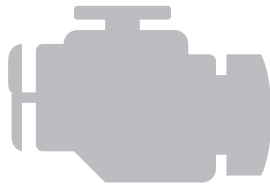
Sustainability Plan  
Our commitments on page 113

Glossary  
Euro VI, NO<sub>x</sub>, PM, SCRE, Tier

### Optimizing energy consumption and efficiency

It is essential to increase product performance and reduce running costs for all CNH Industrial business segments, thus boosting customers' productivity.

With the aim of optimizing performance and reducing environmental impact, the series of on-road diesel **engines** compliant with Euro V and with the even more stringent Enhanced Environmentally Friendly Vehicles (EEV) standards were equipped with a closed suction system, a feature maintained in the Euro VI series as well. Furthermore, to prevent oil mist dispersion into engine blow-by gases, high performance oil-



separation systems were introduced to minimize any risk of contamination of the Diesel Particulate Filter (DPF). Engine-out particulate emission rates are already low thanks to the optimized combustion regime, which makes forced DPF regeneration unnecessary. This is important in terms of fuel consumption and periodic servicing. In addition, since the engine only receives clean filtered air rather than recirculated exhaust gases, engine wear is minimal and oil change intervals are longer, reducing the environmental impact associated with waste oil disposal. Similar systems are also adopted in off-road diesel engines compliant with Tier 4A/Stage IIIB standards. It is important to note that 75% of currently manufactured FPT Industrial engines comply with the latest emission levels.

The CNH Industrial **Agricultural Equipment** segment continues to offer innovative products that increase productivity by decreasing the amount of work required to perform a task, hence cutting fuel consumption. In 2013, the Case IH Austoft Multi-Row sugarcane harvester received the Gold Gerdau Best of the Land award for its revolutionary advancement in sugarcane harvesting technology. Thanks to its unique patented line divider system, the A8800 sugarcane harvester offers the flexibility of accommodating a variety of row-spacings. The innovation is a first in sugarcane harvesting and an incredible advancement for sugarcane growers who can now vary row spacing to optimize yield and significantly reduce inputs like fuel, fertilizer, and pesticides at the same time. The A8800 also offers further fuel savings through the use of factory installed Case IH SmartCruise software, which optimizes fuel consumption at lower load levels. Previously, sugarcane growers were only able to use single-row sugarcane harvesters if experimenting with different row-spacing. For many farmers, this innovation means fuel-efficient harvesting while fully realizing the benefits and flexibility of optimized row spacing.

The Case IH Steiger Quadtrac 620 received the DLV (German Agricultural Publishers) award for Machine of the Year at Agritechnica 2013, and the Silver Innovation award at the InterAGRO 2013 trade show in Kiev, Ukraine. The revolutionary four-tracked design provides unbeatable control and traction even in wet conditions while reducing soil compaction at the same time. At nearly 700 maximum horsepower, the Case IH Quadtrac 620 is the flagship of the Case IH Efficient Power line-up: it is the highest horsepower tractor in the Case IH fleet and can pull the largest implements with incredible fuel efficiency. Bigger implements mean covering more rows in fewer passes, with impressive fuel and time savings.



In 2013, New Holland's Opti-Speed™ strawwalker technology received the silver medal in Innovation at Agritechnica. This new system increases productivity by up to 10%, automatically varying the speed of the strawwalker according to the slope

of the land and the type of crop, giving the operator four preset options to choose from. The strawwalker's lower speeds make it particularly suitable for harvesting corn on flat ground, increasing productivity by as much as 20%. This technology also received an AE50 award from the American Society of Agricultural and Biological Engineers.

The innovative Cornrower for Maize Header also received the silver medal at Agritechnica. The system, which can also be installed on traditional corn headers, results in uniform windrows of finely cut stalks and leaves. Such fine shredding improves pressing and so boosts bale density by up to 15%, which also improves combustion and fermentation, ideal for producing energy from biomass. Moreover, this system enables biomass harvesting and windrowing in a single pass, thus saving fuel and keeping soil compaction to a minimum. Any lost grains fall directly onto the windrow, so bales used as fodder have a higher nutritional content. Because they are finely chopped, the corn leaves and stalks release their moisture more rapidly, thus reducing the time between chopping and baling. Shredded stalks and leaves can also be used as absorbent material in animal bedding, or as a supplement that, mixed with hydrated lime and water, can help reduce the cost of fodder by as much as 40% compared to conventional corn silage.

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Glossary

EEV, Euro VI,  
Gas Blow-by, DPF, Tier

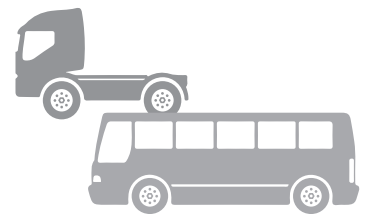


In the **Construction Equipment** segment, CNH Industrial's products also aim at working more efficiently with a lower environmental impact. In 2013, New Holland Construction introduced new products fitted with Eco mode, for fuel consumption control and regulation, and cutting-edge solutions for low emission transmissions. The E215C excavator, for example, consumes on average nine liters of fuel per hour, and seldom more than 11 liters per hour even during heavy excavations. Case's new CX75SR and CX80C midi excavators, on the other hand, have 9% more hydraulic power, and the presence of high capacity hydraulic pumps enable shorter cycle times and a 3% increase in digging force. The Case Construction Equipment M Series dozers are 9-16% more powerful, with over 10% savings in fuel consumption and a 19% increase in overall productivity.



In 2013, Case and New Holland unveiled new wheel loaders for waste management. Case launched two Waste Handler wheel loader models, also in Europe, capable of outstanding traction under any conditions, resulting in longer intervals between maintenance and prolonged tire life. In addition, these loaders are able to lift greater loads, allowing for the use of solid tires, increasingly in demand in waste and scrap handling sites to prevent the risk of flat tires. New Holland Construction, on the other hand, launched a new version of the W170C Recycler wheel loader, with exceptionally low fuel consumption (10 liters per hour, and the best payload in its class). Its most interesting new features include greater pushing power and faster work cycles, achieved through ECOSHIFT five-speed transmission, enhanced tire grip, and reduced tire wear thanks to heavy duty axles with open differentials and 100% front lock. In addition, the ECO mode and ECOSTOP function enable lower fuel consumption.

For **road transport**, the Stralis Hi-Way Euro VI offers a 2.33% reduction in fuel consumption compared to the previous Euro V version. These fuel savings were certified by TÜV, one of Europe's leading technical certification centers, and made possible by the HI-eSCR system and the aerodynamic streamlining introduced with the new cab. The tests carried out compared two EcoStralis models: the new Stralis Hi-Way on-road tractor, equipped with a 460 hp Euro VI Cursor 11 engine, and a similar vehicle of the previous generation, equipped with a 460 hp Euro V Cursor 10 engine.



For **passenger transport**, Iveco Bus launched the new Euro VI range in 2013, completely redesigned around the Total Cost of Ownership (TCO). The current range comprises three bus categories (city, intercity and tourist) and, depending on model and use, boasts savings in fuel consumption between 5 and 10% compared to Euro V vehicles. The TCO was reduced by making vehicles lighter, more efficient, and even more reliable and easier to service. Indeed, all components are designed to be easily and rapidly replaced, and many components are common across the entire range, hence easier to locate and competitively priced. Moreover, the adoption of innovative components means much longer servicing intervals (the DPF may not need replacing for up to four years), which helps keeping the TCO down. More efficient combustion enabled by the adoption of the HI-eSCR system has improved fuel economy, so cutting emissions. In addition, passenger comfort has been enhanced by reducing noise by 50%, increasing space on board by 10%, and providing larger windows.

### Alternative fuels

The main constituent of **natural gas** (NG) is methane (between 83% and 99%), and, for CNH Industrial, its immediate usability makes it the most promising alternative fuel. Whether in the form of gas (CNG) or liquefied (LNG), the basic fuel is the same; what changes is the method of storage, distribution, and use in vehicles. Its main features make natural gas a strategic fuel:

- minimal harmful emissions, from particulate matter (practically none) to aldehydes (-50% compared with diesel)
- minimal emission of air pollutants (-50% NO<sub>x</sub> and -90% PM compared with diesel)
- more than 80% fewer ozone-generating agents than conventional fuels
- 5% fewer CO<sub>2</sub> emissions compared with diesel
- can be used with current production technologies
- renewable source (if derived from biomass)
- one of the best well-to-wheel fuels (-24% CO<sub>2</sub> emissions).



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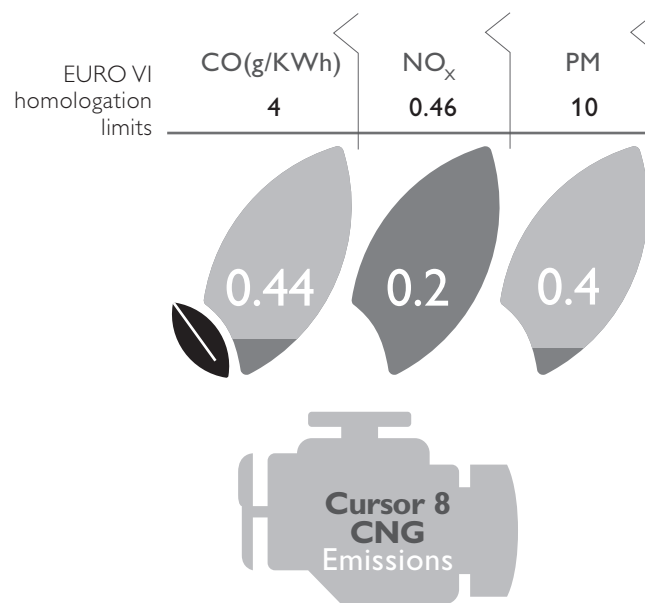
Glossary  
CNG, Euro VI, LNG, NG, NO<sub>x</sub>,  
PM, SCR, TCO, Well-to-wheel



CNH Industrial's interest in natural gas (NG) fuel goes back many years, as testified by Iveco's first investments in research on natural gas propulsion dating back to before 1988, the year when natural gas was first tested in heavy duty diesel engines, leading to the development of the first-ever methane powered Daily prototype in 1995.

FPT Industrial currently offers three series of NG engines, which are used for Iveco vehicles and those of third party customers. In 2013 alone, the company supplied 1,200 CNG engines (350 Cursor 8 engines and 850 NEF 6 engines), for an equivalent number of buses, to the Beijing Public Transportation Company (BPTC), with which the Company has collaborated for ten years.

All FPT Industrial NG engines (F1C, NEF 6 and Cursor 8) are equipped with Company-designed control systems, multi-point fuel injection systems to guarantee the highest level of precision fuel delivery, and a combustion chamber that ensures maximum stability of the combustion process. The use of methane significantly cuts operating costs, while the three-way catalyst reduces exhaust gases. Compared with traditional diesel engines, the NG engines manufactured by FPT Industrial cut particulate emissions by more than 90% and comply with Euro VI standards.



The variety of FPT industrial natural gas engines allows Iveco to offer the most comprehensive range of commercial and industrial natural gas vehicles on the market. Customers can find anything from light commercial vehicles, such as the New Daily Natural Power, to the Stralis LNG Natural Power, which received the 2013 *Europäischen Transportpreis für Nachhaltigkeit* award in Germany for transport sustainability. The advantages of natural gas are both environmental and financial: a Stralis LNG, for example, can reduce the Total Cost of Ownership (TCO) by 15% compared to a diesel truck, and is suitable for the distribution of goods at regional and national level. Market opportunities for these vehicles are particularly promising in sectors such as food and beverages, fuel transportation, logistics, and overnight deliveries, because electronic ignition engines reduce noise levels by three to six decibels compared with equivalent diesel engines.

The low environmental impact of natural gas also makes it the ideal fuel for public transport. Iveco Bus offers the option of a compressed natural gas powered Urbanway bus with Cursor 8 CNG engine. This Euro VI engine allows transport providers to extend their fleets with CNG buses that have the same technology as Euro V / EEV vehicles.



**+43%** in natural  
gas-powered vehicles  
sold worldwide

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Glossary

CNG, EEV, Euro VI,  
LNG, NG, NO<sub>x</sub>, PM, TCO

## NATURAL GAS POWERED VEHICLES SOLD

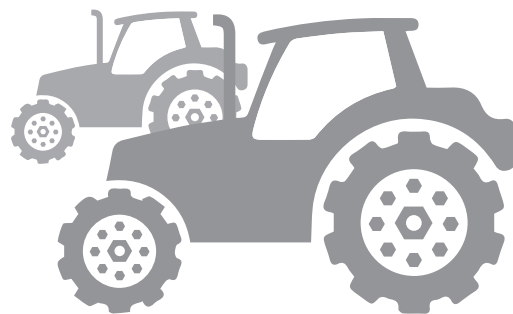
CNH INDUSTRIAL WORLDWIDE (no.)

|   | 2013         | 2012         | 2011       |
|---|--------------|--------------|------------|
| Bus CNG (Cursor 8 engine)                             | 308          | 324          | 318        |
| Heavy range (Stralis CNG – Cursor 8 engine)           | 228          | 164          | 170        |
| of which Stralis LNG – Cursor 8 engine                | 87           | 15           | -          |
| Medium range (Eurocargo Natural Power – NEF 6 engine) | 65           | 33           | 24         |
| Light range (Daily Natural Power – F1C engine)        | 1,451        | 915          | 471        |
| <b>Total</b>  | <b>2,052</b> | <b>1,436</b> | <b>983</b> |

Unfortunately, the lack of a consistent fueling infrastructure network across Europe remains an obstacle to realizing the full potential of natural gas as an alternative fuel. However, the growing commitment at European Union (EU), national, and regional levels to creating this infrastructure is encouraging, especially if real investments follow. As a first step, the European Union has set the objective of increasing the share of biofuels and alternative fuels in the transport sector by 10% and 20%, respectively, by 2020. To reach this objective, the European Commission has launched several initiatives including *Blue Corridors*, aimed at creating a distribution network with CNG and LNG fueling stations every 150 and 400 kilometers, respectively. The first of these will be the four-year *LNG Blue Corridors* project. It will connect twelve EU member states through four priority corridors, along which LNG fueling stations will be strategically positioned. The main goal is to promote the use of LNG in long distance heavy transport, with the realization of 14 new LNG fueling stations, and a fleet of approximately one hundred LNG heavy vehicles transiting along the four corridors. The project involves truck manufactures, fuel suppliers, the distribution network, and fleet owners. Iveco is participating by supplying approximately thirty Stralis LNG vehicles.

The current availability of technologies enabling the independent production of **biomethane** also makes natural gas engines an attractive option for tractors. In fact, biogas from waste agricultural biomass can easily be exploited to produce 98-99% pure methane. The biomethane currently produced on site is used to generate energy, but could also be used to fuel tractors, provided they are equipped with engines suitable for natural gas.

New Holland Agriculture unveiled a prototype T6.140 Methane Power tractor at Agritechnica 2013, which enjoys all of the features of a standard tractor, and is a key step toward the realization of an energy-independent farm powered by biomethane. The compressed methane is stored in nine tanks that are perfectly integrated into the overall design, guaranteeing the same visibility and operational ground clearance as standard models. The tanks' 50-kilo capacity delivers approximately half a day of autonomy during normal operation, backed up with a 15-liter reserve tank. The tractor's three-way catalyst alone ensures Tier 4B compliance, without the need for additional after-treatment systems. When running on biomethane, the tractor's carbon footprint is virtually zero, with savings of 25-40% compared with the cost of conventional fuels.



## OUR PROJECTS

### A TANK FULL OF CNG DIRECTLY TO YOUR DOORSTEP

At Transpotec 2013, BRC FuelMaker and Iveco presented fleet owners with an on-site tank refill system for CNG vehicles, which was well received by companies interested in autonomous supplies and in avoiding long waits at conventional fueling stations, or without easy access to them. The system consists of an electric compressor connected to the natural gas distribution network, and located on site at company facilities. Refills require a few hours, depending on capacity: the cylinders of a Daily CNG, for example, can be filled at night, on company premises. Furthermore, the installation safety requirements are simple and easy to implement.



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Carbon Footprint, CNG,  
LNG, NG, Tier

CNH Industrial also follows other technological trends related to fuels from renewable resources. Indeed, a number of its products can already be fueled with biodiesel, bioethanol and biogas. As regards **biodiesel**, the Tier 4A/Stage IIIB engines produced by FPT Industrial are compatible with biodiesel mixed with 20% diesel (B20), if the blend meets the requirements defined by the EN14214:2009 standard. New Holland Agriculture, which has used biodiesel since 2006, endorses the use of B20 blends for all new Tier 4 ECOBlue™ SCR engines, provided that the blends comply with the EN14214:2009 standard and are used according to the owner and maintenance manuals. All engines used by Case IH are compatible with B5 Biodiesel, and Case IH supports 100% biodiesel (B100) and B20 in most medium-to high horsepower tractors, combines, windrowers, sprayers and cotton pickers. When supplies are available, Case IH equipment even ships from the factory with a biodiesel blend in the tank. Iveco vehicles can use biodiesel mixed with up to 7% fossil diesel, without any modifications required. FPT Industrial is focusing its research on second-generation biofuels, particularly Hydrotreated Vegetable Oil (HVO) and Biomass to Liquid (BTL).

### Alternative traction systems

The sustainable mobility of goods is the subject of much discussion, especially concerning the last leg of the supply chain: that is, the *last mile* of urban deliveries. In 2011, the European Union recommended reorganizing the interface between long distance and last mile freights, suggesting the use of low emission urban trucks. "The use of electric, hydrogen and hybrid technologies would not only reduce air emissions, but also noise, allowing a greater portion of freight transport within the urban areas to take place at night time. This would ease the problem of road congestion during morning and afternoon peak hours". In line with the recommendation of the European Commission, Trucks and Commercial Vehicles segment offers not only natural gas powered engines, but also diesel-electric hybrid technology for combined driving and passenger transport, and pure electric drive vehicles for *last miles*.

**Hybrid traction** can be generated by either an electric or diesel engine, or a combination of the two.

For the transport of goods, Iveco offers its Eurocargo hybrid, designed for urban distribution and pickups without sacrificing high-speed performance, while saving up to 30% on urban driving fuel consumption compared to vehicles with conventional diesel engines.



Since 1990, Iveco Bus has offered a number of diesel-electric hybrid solutions for the transport of passengers. In 2014, it will equip the hybrid version of the new Urbanway passenger bus with a Euro VI engine and enhance it with new features such as the Arrive & Go system, which allows for fully electric arrivals and departures at bus stops, with no noise or gas emissions. The environmental impact of the urban passenger hybrid transport system has been very positive: average fuel consumption and CO<sub>2</sub> emissions have been reduced by up to 35% compared with an equivalent diesel-

only engine. A 35% decrease in CO<sub>2</sub> emissions equals approximately 500 grams less CO<sub>2</sub> per kilometer, or a reduction of approximately 25 tons per year for an annual mileage of 50 thousand kilometers (average value for a city bus).

For twenty years now, Iveco has offered **electric traction** vehicles with emissions close to zero, ideal for urban goods deliveries: the first Daily Electric, in fact, dates back to 1986. Currently, Iveco's New Daily Electric offers significantly enhanced electric drive features. Particular attention was given to the choice of batteries, which are

lightweight, high-performance, maintenance-free, and all parts are completely reusable at the end of battery life. The vehicle has up to 130 km of autonomy, as demonstrated on an urban cycle. After passing a number of tests, the Daily Electric won the Alternative Drives innovation award at the *KEP-Transporter des Jahres 2013* competition for courier, express, and parcel delivery vans. The Daily was selected based on a variety of criteria, especially the importance Trucks and Commercial Vehicles attributes to electric drives, including in the 3.5 - 5.2 ton segment. The vehicle also stood out for its wide product range, and

for distinctive features such as the ease of vehicle outfitting, and the size and comfort of the internal cab. Moreover, with testing taking place in Brazil, the Daily Electric is destined to become the first zero-emission light commercial vehicle produced in Latin America.



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Glossary  
Biodiesel, BTL, Euro VI, HVO,  
Last mile, SCR, Tier

<sup>(1)</sup> European Commission, White Paper, Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system, item 33. / \* COM/2011/0144 final \*)

## OUR PROJECTS



### ELLISUP: TOMORROW'S BUS CONCEPT

During the 2013 Busworld Kortrijk trade fair, Iveco presented the ELLISUP Concept Bus project, controlled by the French Environment and Energy Management Agency (ADEME), and directed by Iveco Bus in collaboration with several partners. The objective of the project is to develop a new electric bus solution, capable of operating in full electric mode along an entire service line, and rapidly recharging in a matter of minutes at the end of the line. ELLISUP is equipped with electric motors developed by Michelin and housed above four of the eight wheels reduced in dimension, and uses an innovative energy storage solution characterized by high power density and great durability. The electric power allows for zero emissions and full noise abatement. Reduced wheel size enables a new architecture that differs completely from that of a traditional bus, with a larger and more functional interior space that optimizes the flow of passengers when boarding and exiting the bus.

The new design also allows for larger windows that further increase passenger comfort.

### Technology and telematics

CNH Industrial deploys telematics systems in **precision agriculture**, in monitoring construction equipment and in on-road vehicles, so optimizing their use. The resulting increase in productivity also brings positive environmental impacts: from lower polluting emissions, to the accurate dosing of fertilizers, pesticides, and irrigation.

Precision farming management revolves around intelligent farming solutions, and is based on the collection and application of a series of data to optimize the entire agricultural cycle: plowing, fertilizing, sowing, and harvesting. Case IH Advanced Farming System® (AFS) products are designed to maximize uptime and make the most of short field windows during critical seasons. Case IH AFS comprises a complete offering of precision technologies to improve productivity and agronomic performance while minimizing input costs and managing risk. New Holland Precision Land Management™ (PLM) also offers a full range of precision farming solutions that can be tailored to suit the customers' needs, and that help improve yields, control input costs and increase productivity. PLM eliminates overlaps, increases yield potential, and reduces waste with IntelliRate™ Section Control and variable rate control. Agricultural equipment is fitted with a localization and data transmission system, and with a series of sensors. These sensors evaluate the composition and humidity of each square meter of soil, and read leaf colors to determine their chlorophyll content, which serves as an indicator of the crop's maturity, and of the estimated quality and quantity of the harvest. The system avoids skips and overlaps, and ensures parallel tracking when working both in curved and straight tracks, on either flat or undulating ground. Furthermore, single passes prevent excessive soil compaction. The system enables operations in dusty environments, in difficult weather conditions, and at night. The assisted driving system, if present, also provides for hands-free steering, thus enabling the operator to concentrate on maneuvering the apparatus. The data collected by the telematics system can assist in planning for maximum crop yields.



CNH Industrial has devised an innovative telematics system for **construction equipment** as well. It uses a GPS satellite localizer to monitor fleet equipment remotely, identifying its position and quantifying its usage. This allows maximizing fleet distribution across construction sites, therefore increasing efficiency and optimizing consumption and emissions. The GPS display installed in the cab provides the operator with most of the data required for an operation. The system enables positioning the equipment more accurately and reducing the amount of materials to be handled, cutting operating costs. It also allows monitoring the status of the vehicle, thus optimizing maintenance and technical support.

The IVECONNECT system, on the other hand, was realized for **on-road vehicles** to simplify and integrate the management of infotainment, telephony, navigation and driving assistance devices, and of fleet management services. The ergonomic interface and the 7-inch touchscreen display make working on-board safe, efficient, and comfortable. The system includes the Driving Style Evaluation software, which provides commercial vehicle drivers with real-time assistance to optimize fuel consumption. The system analyzes the signals and data transmitted by the propulsion system, vehicle, and GPS, and sends them to the on-board display. It then provides an overall assessment of the impact of driving style on fuel consumption, as well as tips to reduce the latter. The fleet version allows for the remote assessment of fuel consumption associated with the driving style of each fleet driver. The navigator can automatically calculate the best route based on vehicle size and mass, and provide information on traffic conditions and on the nearest mechanic or dealer. Furthermore, if necessary, the system can connect to customer assistance with one click, and automatically provide useful information while receiving indications as to the estimated time of arrival of a technician. The system is also connected to the Driver Attention Support, which alerts the driver if tiredness is detected (see also page 145).



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Glossary  
Ergonomics, GPS

## PRODUCT ERGONOMICS AND SAFE USE

Protecting operators during their work has always been a key factor in CNH Industrial's design and product development. In fact, the Company strives not only to ensure and comply with high safety standards, but also to direct its innovations according to the cognitive understanding of users. Company products serve as work equipment, hence the simpler the interaction between operator and machine, the safer the task performed. Furthermore, construction and agricultural equipment is often used under difficult circumstances: steep slopes and extreme weather conditions require products that guarantee total safety and maximum comfort, to minimize the risk of human error caused by excessive fatigue. For this reason, all CNH Industrial products are designed to shift the user's attention from how a machine works to how a task is done. Furthermore, ergonomics are combined with comfort for increasingly intuitive and user-friendly controls. Spacious and quiet cabs, fewer vibrations, good climate control, and radio systems with Bluetooth for hands-free calls are just some of the features that enable the operator to work with greater ease.

As stated in the Code of Conduct, CNH Industrial is committed to producing and selling, in full compliance with legal and regulatory requirements, products of the highest standard in terms of environmental and safety performance. The individual components crucial for safety are identified right from the design phase, in the technical drawings, and subjected to closer and specific assessments (e.g., dynamic calculations, structural analysis, laboratory tests, static and dynamic vehicle testing, and type approval testing). In accordance with the quality policy and additional internal procedures, workstations handling safety components during production are clearly marked, and the personnel responsible for working on, or inspecting, safety components are suitably trained. Safety components are also labelled to ensure traceability in the event of intervention or recall campaigns (see also page 200).



In **agriculture**, safety is vital, not only when working in the fields, but also when travelling by road from one field to another. In this case, technologies such as ABS make tractors safer when on the road by enhancing brake performance, thus improving maneuverability and enhancing vehicle safety when working at an incline. For tractors with trailers, the Intelligent Braking System automatically adjusts the braking force exerted onto the trailer according to the deceleration of the tractor, preventing the risk of skidding.

Systems such as Active StopStart by New Holland Agriculture, adopted especially for high-power tractors working in the fields, prevent the tractor from moving after coming to a halt, even if heavily loaded or on a steep slope. All CNH Industrial tractors are supplied with a Falling Object Protection System (FOPS) to protect the cab and operator from objects falling from above, which is a very common risk when working with a front loader or in potentially hazardous areas. Tractors are also equipped with long-range video cameras, connected to the on-board display, that transfer rear and side view images of the tractor; this increases safety considerably when operating particularly large equipment or very long trailers, and avoids the need for the operator to continually turn around to check maneuvers. New technologies are widespread in New Holland's new range of Braud 9000 multi-function harvesters. The operator's safety is enhanced by an on-board diagnostics system, which detects and alerts the operator in case of major anomalies, and automatically stops the machine or switches off the self-leveling system to prevent potentially dangerous situations. Vehicle stability is also continually monitored, and the operator alerted if the vehicle approaches its stability threshold. The machine's height and lateral position are also adjusted automatically, with zero operator input, to prevent possible accidents and to increase overall safety when harvesting, even when operating on the most challenging and undulating ground, and during road transportation. Operator fatigue and product complexity are leading causes of occupational accidents, so all Case IH products are designed for optimal comfort even after many hours, and with an intuitive design to simplify product use. Features like LED lights can double visibility for work performed at night, swivel seats reduce back and neck strain, and suspended cabs give operators a smoother ride to focus better and stay alert longer. The design of all CNH Industrial brands takes into account not only the need for safety when machines are running and in movement, but also the daily maintenance requirements. Almost all of the inspections on New Holland vehicles, for example, are performed from the ground; hoods and guards are secured by hydraulic shock absorbers; and the regulation of most harvesters is either fully automated or can be performed in a short time without the need for tools. The giant BigBaler (winner of the 2013 SIMA Innovation Award for industry-leading safety) minimizes every type of risk associated with maintenance activities: the front shield, for example, can be opened only if the baler is completely stopped, the power take-off turned off, and the flywheel brake engaged.

The safe use of **construction equipment** is also greatly supported by ergonomics and comfort of use. With regard to passive safety, the cabs of all CNH Industrial brand models are supplied with a Falling Object Protection System (FOPS) against objects falling from above and with Roll Over Protective Structures (ROPS) in the event of vehicle rollover. Additionally, the owner and maintenance manuals include an entire chapter on the safe use

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ABS, Ergonomics,  
FOPS, LED, ROPS



of the machine. Lastly, all potentially dangerous machine components are listed and decalated onto the side of the machine itself. Maintenance activities are performed from the ground, to minimize the risk of accidents.

As far as comfort is concerned, cab quietness is a hallmark of all CNH Industrial brand products, as are reduced vibrations and maximized visibility. A rearview video camera connected to a large display is available on wheel loaders, avoiding the need for the operator to continually turn to look behind. The cab of the Case CX75 SR excavator and of the traditional CX80C model was completely redesigned to resemble that of larger Case Series C excavators; the internal space is 7% wider than previous models, and a larger glazed area improves both front and rear visibility. Video cameras are now a standard accessory in the CX80C series to ensure safety during visual inspections, and the new Midi has the same color display as the larger Case CX-C Series hydraulic excavator. For specific applications that require additional safety, Case offers two different front screen guards and a certified lifting and handling kit to lift objects safely.

As regards the **transport of goods**, especially long hauls, customer comfort is paramount. The cab of the new Stralis was designed around the driver to ensure the best working environment, and maximize productivity at each mission. The cab can be equipped with an IVECONNECT system, which uses a touchscreen display (integrated into the dashboard) to manage the *driving style evaluation* function (see also page 203), advanced telematics services, the audio system, and the satellite navigation system. The night area was redesigned to hold a bunk with wooden slats, as well as an additional low-noise, energy-efficient air conditioner built into the roof panel, which ensures a comfortable cab temperature even with the engine off. The number and capacity of interior storage compartments was increased; the cab was equipped with a fridge and two large stowage compartments that are illuminated and accessible from both the inside and outside; and two more external storage compartments were added for stowing tools and work clothes. Vehicles for the transport of goods are mostly equipped with *Advanced Driver Assistance Systems* (ADAS), which focus both on preventive safety (designed to help the driver prevent dangerous situations) and active safety (designed to help avoid collisions, or reduce the severity of impact). The main systems are:

#### Preventive safety

- **Daytime Running Light (DRL):** low-power position lights that remain on during transit to ensure maximum vehicle visibility, and xenon headlights to increase driver visibility
- **Hill Holder:** system providing assistance when starting a vehicle uphill, it stops it from rolling backwards for a few seconds after the foot brake is released. Hill Holder makes hill starts safe, prevents clutch riding, and reduces brake wear
- **Driver Attention Support:** system that continuously monitors the driver's attention levels. It monitors steering wheel movements and, should drowsiness be detected, alerts the driver with an acoustic and visual warning
- **Lane Departure Warning System (LDWS):** system that alerts the driver if the vehicle strays from its lane, provided that turn signals were not activated first. Extremely effective at preventing accidents caused by tiredness or distraction at the wheel
- **Tire Pressure Monitoring System (TPMS):** system that measures internal tire pressure to reduce fuel consumption and tire wear.

#### Active safety

- **Adaptive Cruise Control (ACC):** intelligent system enabling the driver to maintain a selected cruising speed and the safety distance from vehicles ahead. Should the safety distance not be maintained, the system automatically activates the engine brake, the retarder, and service brakes
- **Electronic Braking System (EBS):** additional functions are integrated into this system, namely the *Antilock Braking System (ABS)*, the *Acceleration Slip Regulation (ASR)* and the *Electronic Brake Limiter (EBL)*. The system combines the braking action of both the engine brake and retarder, which are activated automatically to enhance the effectiveness and minimize the use of the service brakes, delivering shorter braking distances and an even wear of brake pads
- **Advanced Emergency Braking System (AEBS):** available starting from Euro VI vehicles, the system alerts the driver to potential collisions and automatically engages the braking system to avoid, or reduce the speed of, impact
- **Electronic Stability Program (ESP):** the system intervenes in case of swerving, by adjusting the engine power and by braking selectively on the individual wheels until the vehicle regains stability. Effective during unexpected changes in trajectory, and for correcting understeer or oversteer resulting from improper curve entering.

As regards the **transport of passengers**, safety comes first for Iveco Bus. The new Euro VI Crossway intercity bus, for example, was designed in full compliance with the strictest European standards: R 66 rollover testing, accident prevention testing, seat anchoring, braking system power and effectiveness, ABS and ASR systems to prevent wheel spinning and arrest. Comfort on board was improved by reducing internal noise by more than 50%. The cockpit was enlarged, and the ergonomics of the driver's seating area were improved with a new dashboard and a swivel seat rotating up to 65 degrees.



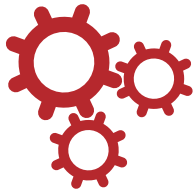
GRI-G4  
PR1



Sustainability Plan  
Our commitments on page 115



Glossary  
ACC, ADAS, EBS, Ergonomics,  
Euro VI, Hill Holder, LDWS



# MANUFACTURING PROCESSES



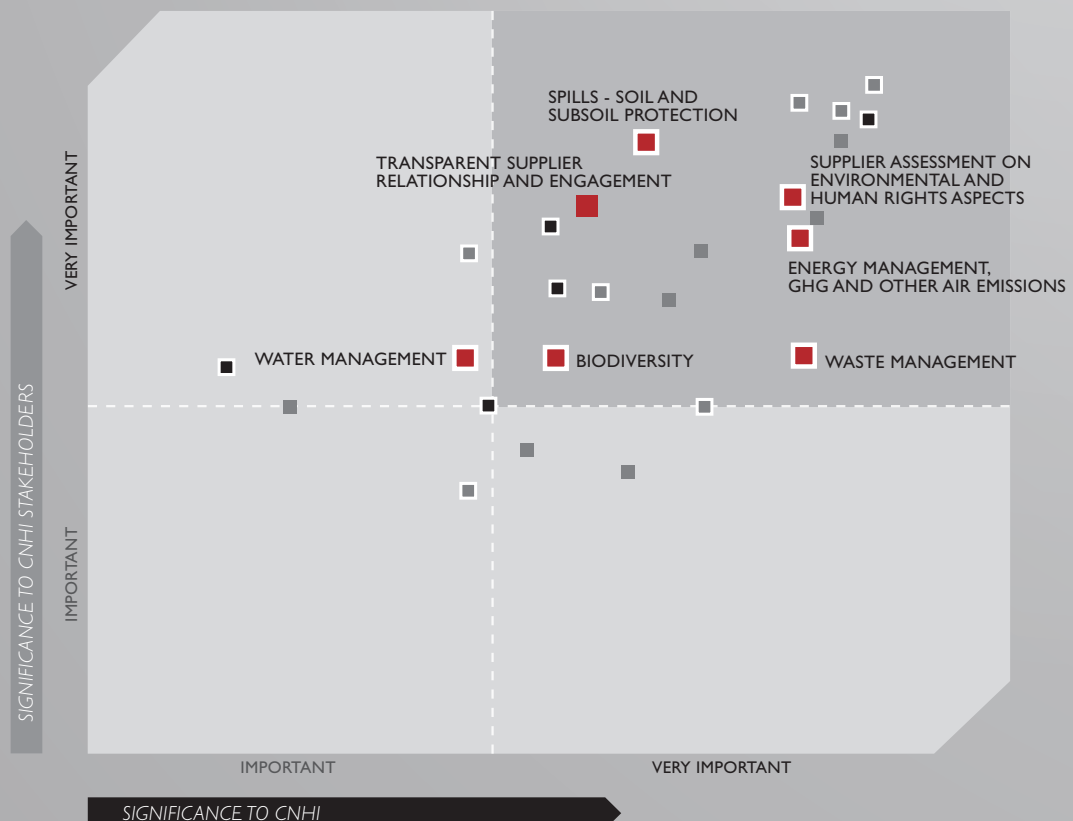
SUPPLIERS • ENVIRONMENT



DMA; G4-12; G4-13; EC9; EN3; EN5-EN6; EN8; EN11-EN16; EN18-EN24; EN31-EN33; LA14-LA15; HR4-HR6; HR10-HR11; SO9-SO10



€154.4 million  
saved through WCM projects





## SUPPLY CHAIN MANAGEMENT

CNH Industrial adopts a responsible approach to the management of its supply chain, from small local companies to large multinational organizations, establishing relationships that go beyond commercial transactions, fostering long-lasting and mutually satisfying collaborations with eminently qualified partners that share the Company's principles. For CNH Industrial, sustainability in the supply chain means looking beyond corporate boundaries, strategically and effectively promoting a sense of shared responsibility.

Advocating socially and environmentally responsible behavior along the entire supply chain is one of the Company's primary commitments, along with championing a culture of sustainability among Company employees who work with suppliers every day. This approach goes hand in hand with the other priorities at the heart of supply chain management: quality, price and lead times.

As evidenced by the results of the materiality analysis, one of the most important aspects for CNH Industrial and for its stakeholders is the process of evaluating suppliers on environmental issues, labor practices, management of human rights and the impact on society. Promoting and monitoring high sustainability standards fosters long-term relationships with suppliers, in the interest of both parties, as it reduces potential risks, ensures continuity of supply and improves overall sustainability along the entire supply chain, mitigating reputational risk and any potential damage to the Company's credibility. Another material aspect for CNH Industrial and for its stakeholders is transparency in supplier relationships and engagement, since relations based on open dialogue and collaboration increase efficiency, improve quality, foster innovation and encourage a shared commitment to reaching sustainability targets, creating undeniable mutual benefits.

Commitments to continuous improvement are realized through targets and actions, which also give an indication of how efficiently the supply chain is being managed. The targets are set annually on a voluntary basis and are included in the Sustainability Plan (see also pages 115-116); their progress is regularly monitored in order to implement any corrective actions deemed necessary. Targets and the results achieved are communicated to all stakeholders through the Sustainability Report and the corporate website. Management effectiveness is measured through periodic benchmarking with the main competitors and the leading sustainability companies, and through rating agency assessments on sustainability issues. The results of these assessments are the starting point for improvement actions.

The Sustainability Guidelines for Suppliers provide the framework for responsible supply chain management. The Guidelines were issued by Fiat Industrial in 2010, and subsequently adopted by CNH Industrial following approval by the Board of Directors in September 2013. The document, which also applies to subcontractors, is available on the Company website. In addition to compliance with local legislation, the Guidelines call for observance of

- human rights and working conditions:
  - rejection of forced or child labor in any form
  - recognition of the right to freedom of association in line with applicable laws
  - safeguarding of employee health and safety
  - guarantee of equal opportunities, fair working conditions and employees' right to training
- respect for the environment:
  - optimization of the use of resources
  - responsible waste management
  - elimination of potentially hazardous substances from the manufacturing process
  - development of low environmental-impact products
  - use of an environmentally-sustainable logistics system
- business ethics:
  - high standards of integrity, honesty and fairness
  - prohibition of corruption and money laundering.

SUSTAINABILITY IN THE SUPPLY CHAIN MEANS LOOKING BEYOND CORPORATE BOUNDARIES, STRATEGICALLY AND EFFECTIVELY PROMOTING A SENSE OF SHARED RESPONSIBILITY



GRI-G4  
DMA



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Glossary  
DMA, Stakeholders



The highest responsibility for CNH Industrial's supply chain management initiatives lies with the Group Executive Council (GEC). In 2013, supply chain management improvement targets were included in the Performance and Leadership Management system (see also page 46) for most managers of projects included in the Sustainability Plan. The information relating to the sustainable supply chain management model adopted was subjected to a high-level assessment by SGS, an independent certification body, during the assurance audit of the Sustainability Report, which confirmed its compliance with the AA1000 assurance standard.

## SUPPLIER PROFILE

Fiat Group Purchasing (FGP)<sup>1</sup> manages purchases worth approximately €14.3 billion on behalf of CNH Industrial, and has a direct material supplier base of 6,145 companies. Suppliers are also classified through a formal process according to their importance within the supply chain. In 2013, 13 new suppliers were considered eligible, while there were no significant changes to supply chain structure or additional outsourcing of activities. As of 2014, CNH Industrial will also begin to monitor the relocation of plants from one country to another, through the reassessment of suppliers.

The top 150 suppliers that produce about 60% of the total value of purchases are considered by CNH Industrial as strategic suppliers, in part because of the length of these relationships.



## HIGHLIGHTS

FIAT GROUP PURCHASING (FGP) WORLDWIDE

### 2013

|  |       |
|--|-------|
| Direct and indirect material purchases managed by FGP <sup>2</sup> (% of total CNH Industrial purchases by volume) | 85%   |
| Direct material suppliers managed by FGP (no.)   | 6,145 |
| Value of purchases from direct material suppliers <sup>3</sup> managed by FGP (€billion)                           | 12.0  |
| Value of purchases from indirect material suppliers <sup>4</sup> managed by FGP (€billion)                         | 2.3   |

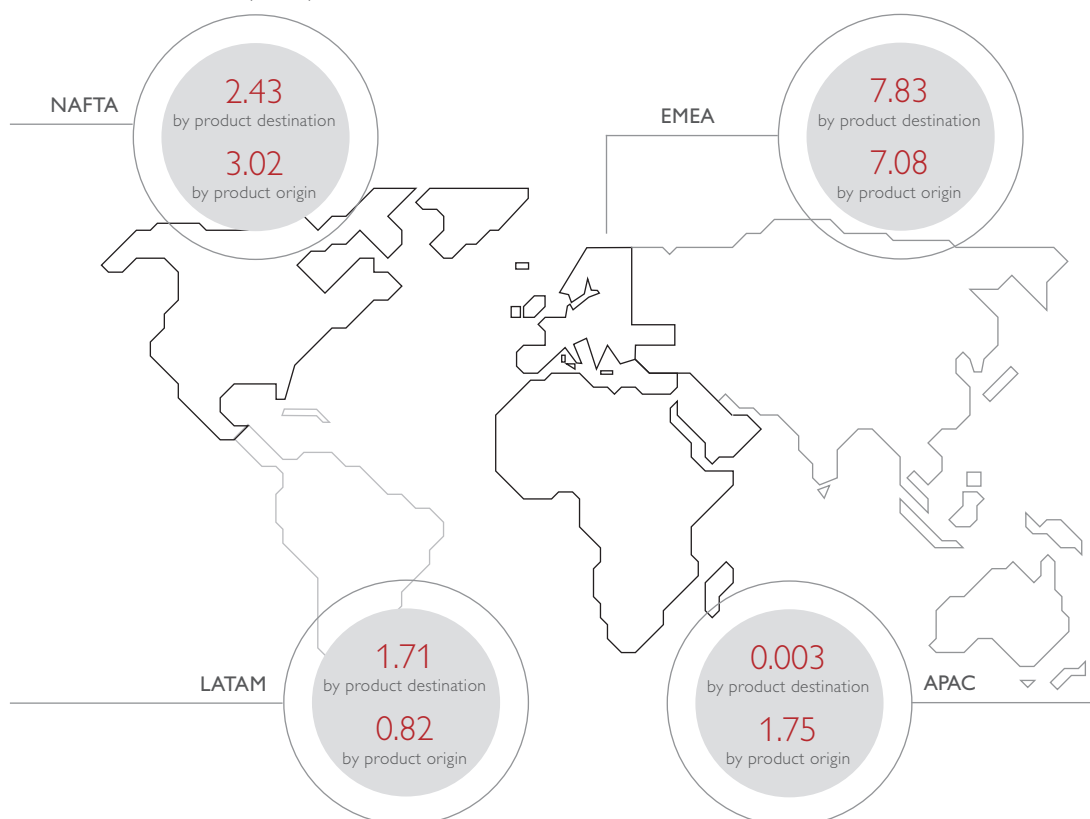
<sup>(2)</sup> Refers to value of purchases managed by FGP.

<sup>(3)</sup> Direct materials are preassembled components and systems used in assembly. The value of raw material purchases is considered marginal.

<sup>(4)</sup> Indirect materials are services, machinery, equipment, etc.

## PURCHASE<sup>5</sup>

FIAT GROUP PURCHASING WORLDWIDE (€ billion)

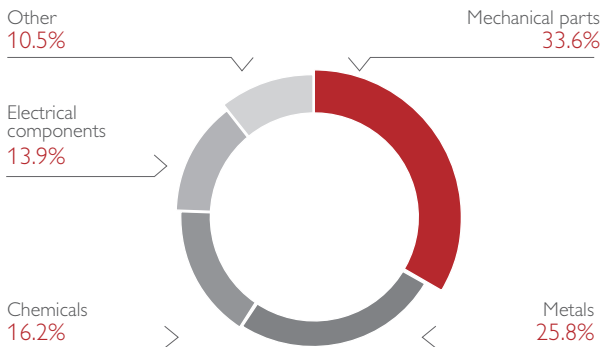


<sup>(1)</sup> A Fiat Group S.p.A. company that also conducts purchasing activities for CNH Industrial.

<sup>(5)</sup> Refers to value of purchases managed by FGP.

## PURCHASES<sup>1</sup> BY PRODUCT TYPE

FIAT GROUP PURCHASING WORLDWIDE



<sup>(1)</sup> Refers to value of direct material purchases managed by FGP.

The objectives that CNH Industrial sets for itself include developing local skills, by transferring its technical and managerial expertise, and strengthening local entrepreneurship. The creation of ongoing relationships with local suppliers has a positive impact in terms of reducing the risks associated with operational activities and optimizing costs.

The spending on local suppliers<sup>2</sup> is highly significant: in 2013, the contracts signed by CNH Industrial with local suppliers accounted for over 92% of procurement costs; specifically, 92.8% in EMEA and 92.1% in NAFTA, the significant locations of operations<sup>3</sup> for CNH Industrial.

Additionally, CNH Industrial promotes the World Class Manufacturing program (see also page 156) at local supplier plants, with a view to sharing best practices and methodologies.

Although CNH Industrial does not purchase raw materials directly (with the exception of steel used for direct processing), overall consumption and general price trends are constantly monitored.

The principal raw materials used in the semifinished goods purchased by CNH Industrial are steel and cast iron (approx. 2.4 million tons including scrap), plastics and resins (approx. 168 thousand tons) and other miscellaneous materials (approx. 82 thousand tons).

## OUR PROJECTS



### SUPPLIER DIVERSITY

In its policy CNH Industrial aims to promote, encourage and increase the participation of diversity-owned enterprises (such as small business, small disadvantaged business, veteran-owned small business, service-disabled veteran-owned small business, Hubzone and women-owned small business) in the procurement of its products and services. CNH Industrial actively seeks, identifies and assists these companies to qualify as competitive suppliers, affording them the opportunity to increase their sales and expand their markets. Adequate information is provided to these potential suppliers in the bidding process and reasonable delivery lead times are established to aid them, where possible, in achieving increased participation in the Company's procurement activity. The Company offers reasonable technical assistance to diversity-owned enterprises to support them in becoming more competitive and knowledgeable in today's market place. The Company provides on-site audits to assist diversity-owned enterprises to identify potential problem areas and help them in implementing an appropriate corrective action.

Purchasing personnel in CNH Industrial conduct regular reviews of material requirements and identify areas of potential participation by diversity-owned enterprises. Methods and procedures for administering these activities are part of buyer training seminars, which are conducted periodically. In 2013, CNH Industrial increased its expenditure with diversity-owned businesses by 1% and outlined a process to begin measuring sub-contracting efforts with certified Minority Business Enterprise suppliers in 2014.

<sup>(2)</sup> Local suppliers are those operating in the same country as the CNH Industrial plant.

<sup>(3)</sup> The significant locations of operations are defined by total direct material purchases managed by FGP, which in EMEA are 65.4% of total value of purchases, and in NAFTA 20.3%.



**GRI-G4**  
DMA, G4-12; G4-13; EC9



**Sustainability Plan**  
Our commitments on pages 115-116



**Glossary**  
DMA, EMEA, NAFTA,  
Material aspects

## SUSTAINABILITY IN SUPPLIER MANAGEMENT

Environmental and social sustainability standards are fully integrated into CNH Industrial's supplier management. Supplier selection is an operational phase of the procurement process and is regulated by specific procedures. It is based not only on the quality and competitiveness of their products and services, but also on their compliance with CNH Industrial's social, ethical and environmental principles. The assessment process is built on objective criteria and tools aimed at ensuring fairness and equal opportunities for all parties involved.

The **Potential Suppliers Assessment (PSA)** process identifies the strengths and weaknesses of a company and its ability to manufacture according to the highest quality standards, so as to assess its potential of becoming a high performing CNH Industrial supplier. The PSA tool is used to assess companies that do not currently provide materials or services, and suppliers that have undergone reorganization, or whose plants have been relocated, or that have introduced new technologies and processes, or that have not supplied products for more than 24 months. PSA must be carried out prior to the procurement phase, to allow potential new suppliers to participate in tenders. This tool assesses the ability of the potential supplier to manufacture quality products using best practice. PSA evaluates systems and company processes directly at supplier plants.

Other PSA criteria to be met include: potential suppliers must prove they have adopted a program that promotes sustainability, both internally and along the supply chain, a code of conduct (with explicit references to fighting corruption, respect for human rights, etc.), a certified system for managing employee health and safety, and a certified environmental management system. These documents ensure their efforts to monitor and manage environmental aspects, labor practices, human rights, and the impact on society. All new suppliers are evaluated according to these criteria (13 in 2013).

Furthermore, based on the risk map, some of the new suppliers are included in the evaluation process to monitor their compliance with standards. Suppliers' sustainability is in fact assessed through indicators included in the self-assessment questionnaire, and subsequently confirmed by audit. This evaluation is one of the determining factors in the final decision on awarding supply contracts.

In addition, through clauses that are being progressively incorporated into new contracts, FGP requests compliance with the CNH Industrial Code of Conduct and the Sustainability Guidelines for Suppliers. Specifically, **contractual clauses** require that suppliers provide references, and demonstrate their competence, in relation to: fighting corruption, protecting and safeguarding the environment, promoting health and safety at work, ensuring freedom from discrimination, prohibiting forced labor and the economic exploitation of children, and safeguarding freedom of association.

All contracts contain a clause (hereinafter referred to as the Clause) by which suppliers undertake to comply with Legislative Decree No. 231 of 8 June 2001 for Italian suppliers (or, for non-Italian suppliers, the specific regulations applicable to the administrative liability of legal persons), the Code of Conduct and the Sustainability Guidelines for Suppliers. With regard to orders issued, it should be noted that (both for the purchase of direct and indirect materials and for service contracts) they are subject to the General Purchasing Conditions that contain the aforementioned Clause. For direct materials, the unified General Purchasing Conditions of CNH Industrial are being finalized for the Agricultural and Construction Equipment, Trucks and Commercial Vehicles and Powertrain segments, and include the sustainability clause. If a supplier fails to adhere to these principles, CNH Industrial reserves the right to terminate the commercial relationship or instruct the supplier to implement a corrective action plan, which is then verified through audits.

### Assessing Risk

CNH Industrial places primary importance on the monitoring of obstacles that could potentially hinder the upholding of high product standards, both within the Company and along the supply chain. Furthermore, for corporations like CNH Industrial that operate on a global scale, social and environmental risks are continually rising. In recognition of this, since 2011, CNH Industrial has employed a **risk map** to identify suppliers whose compliance with sustainability criteria requires assessment. The four risk drivers used to create the risk map are: supplier turnover; risk of country where supplier is located (with particular focus on countries with poor human rights records<sup>(1)</sup>), supplier financial risk, and the results of the assessment of supplier adherence to sustainability principles (based on self-assessment questionnaires, on-site audits and level of implementation of action plans). The risk map classifies suppliers according to three levels of risk (high, medium and low), based on a weighted average of the four factors. The risk map covered 100% of strategic suppliers over the course of three years.



<sup>(1)</sup> For countries at risk of poor human rights, refer to the list published by EIRIS (EIRIS Human Rights Countries of Concern, October 2010).

The results of the risk map identify suppliers that will be subject to monitoring (self-assessment questionnaires and on-site audits), and also consider human rights issues. If areas for improvement emerge from the audits carried out, joint action plans are drawn up together with suppliers to manage and eliminate critical issues identified. Specifically, in 2013, no issues were recorded regarding collective bargaining, or child or forced labor. Only in one case was there a potential risk relating to freedom of association, which will be dealt with in 2014, by means of an on-site audit.

In addition, a detailed spend analysis is carried out to improve supply performance and maximize operational efficiency. Using a data instrument, known as the Financial Suppliers Sensitivity System (FS 3), supply chain managers have access to the supplier financial assessment. This tool is continually updated based on confidential information provided by the suppliers themselves, and on that contained in any financial reports. The assessment, automatically calculated and checked by an analyst, allows suppliers to be identified according to categories of financial risk. Suppliers in particular difficulty are monitored weekly to prevent any interruptions to the supply chain. The continuous monitoring of economic factors is essential to good supply chain management.

### Monitoring conformity

In order to verify if suppliers meet the sustainability standards set by CNH Industrial and, if necessary, take steps towards improvement and realignment, Fiat Group Purchasing (FGP) has designed and initiated a monitoring process based on two main tools: self-assessment questionnaires on sustainability standards and follow-up audits on site.

Through the **self-assessment questionnaires**, managed through an IT platform administered by a third party, suppliers are requested to provide information on: environment, working conditions, human rights and impacts on the community.

### SELF ASSESSMENT CRITERIA



In the pursuit of continuous process improvement and supplier involvement on a number of issues important to CNH Industrial, two new sections were added to the 2013 questionnaire, relating to water management and logistics providers; these sections will not be assessed for the first year, but will serve for information purposes only. As further evidence of CNH Industrial's sense of responsibility toward the overall supply chain, the Company monitors how its Tier 1 suppliers manage their own supply chains in terms of sustainability. In addition to being an assessment tool, the self-assessment questionnaire serves as a gap analysis tool for suppliers, highlighting areas for improvement.

In 2013, the questionnaire was sent out to a total of one hundred suppliers. The 32 suppliers who completed it attained an evaluation confirming that social and environmental issues are properly addressed. The analysis of the results essentially confirmed the previous year's findings, i.e., the widespread implementation of sustainability initiatives, with a significant number of suppliers adopting their own social and environmental systems, setting specific targets and drafting periodic reports.

### ANALYSIS OF SUPPLIERS' SELF-ASSESSMENT QUESTIONNAIRES

| Aspects                     | Number of suppliers identified as having significant actual and potential negative impacts | Significant actual and potential negative impacts  |
|-----------------------------|--|--|
| Environment                 | 5  | <ul style="list-style-type: none"> <li>■ Protecting Biodiversity</li> <li>■ REACH regulations</li> <li>■ Application of LCA (Life Cycle Assessment) methodology</li> </ul> |
| Labor practices             | 0  | -  |
| Human rights <sup>(1)</sup> | 0  | -  |
| Impacts on society          | 4  | <ul style="list-style-type: none"> <li>■ Sustainability in Supply Chain Management</li> </ul>  |

<sup>(1)</sup> One supplier has been identified as having potential negative impacts on freedom of association.

Following the self-assessment process, **audits** were carried out on a select group of major suppliers. Building on the activities undertaken the previous year, 62 further audits were performed in 2013 in China, India and Europe (46 by Supplier Quality Engineers and 16 by third party auditors), covering 13% of the total purchase value managed by FGP. The audits did not reveal any critical situations; in fact, no contracts were suspended or terminated.



However, **corrective action plans** for areas in need of improvement were formulated in collaboration with suppliers. In 2013, approximately 158 joint action plans were implemented after the audits, involving 35 suppliers.

## ANALYSIS OF CORRECTIVE ACTION PLANS

| Aspects            | Percentage of suppliers identified as having significant actual and potential negative impacts, with which improvements were agreed upon <sup>1</sup> | Number of action plans identified | Main action plan topics  |
|--------------------|---|-----------------------------------|--|
| Environment        | 14.5  | 9                                 | ■ Definition of a formal environmental management system   |
| Labor practices    | 45.2  | 66                                | ■ Evidence of documentation on workplace safety (emergency plans/evacuation drills)<br>■ Further training activities |
| Human rights       | 35.5  | 40                                | ■ Additions to the code of conduct   |
| Impacts on society | 37.1  | 43                                | ■ Inclusion of monitoring activities and supply chain involvement  |

<sup>(1)</sup> The percentage is calculated based on the number of suppliers audited (62 in 2013).

The action plans were also developed with the contribution of the Supplier Sustainability Committee, set up within FGP, consisting of the Processes Compliance Manager, the General Counsel and the head of Supplier Quality Engineering. A follow-up between supplier and auditor takes place periodically, in order to monitor these plans. Any non-compliance on the part of the supplier is brought to the attention of the Committee, which determines the actions to be taken against the defaulting supplier (which may lead to contract suspension or termination).

The levels of supplier compliance and respective action plans are documented in the Supplier Quality Performance (SQP) system and the results are available to all employees engaged in supplier management. Every month, the SQP system develops a supplier Bid List, containing qualitative information including the scores from sustainability assessments. This information, along with each supplier's financial, technical and logistics data, make up the *summary by plan* document used for assigning new business.

### Promoting the continuous improvement of environmental aspects

CNH Industrial's commitment to curtail the environmental impact of its activities and to tackle climate change cannot exclude the involvement of its suppliers. In fact, to scale down the impact of manufacturing processes and products on the environment, suppliers must, on the one hand, optimize the use of resources and minimize polluting emissions and greenhouse gases; on the other, they must properly manage waste treatment and disposal and adopt logistics management processes to minimize the environmental impact. For these reasons, an environmental management system certified according to international standards is always strongly advised. With this in mind, CNH Industrial concentrates its efforts on monitoring and raising awareness among suppliers. In 2013, the Company continued to map the suppliers that implemented an environmental management system certified by a third party (see also page 161).

Furthermore, in 2013, specific questions were incorporated in the suppliers' self-assessment questionnaire to monitor the risks associated with water consumption and discharges along the entire supply chain. The new section specifically focuses on:

- policies, strategies or strategic plans regarding water management and improvements to the quality of waste water management
- specific improvement targets
- data on water withdrawal, reuse and discharge
- bodies of water, wetlands or natural habitats affected by discharge or withdrawal of water
- operations located in water-stressed areas.

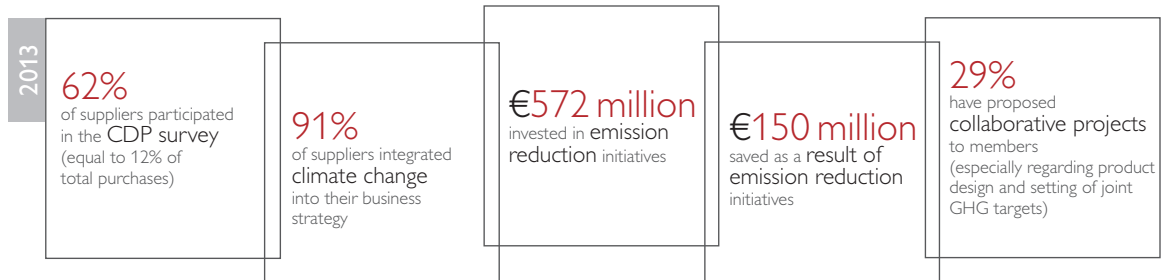
Two important initiatives fall within the scope of promotion and engagement efforts. In 2013, a series of activities was put in place in collaboration with a select group of suppliers to monitor water management, particularly at plants located in water-stressed areas, and to advance measures to minimize the risk associated with water use.

Furthermore, for the first year ever, 45 suppliers were selected to fill out the Carbon Disclosure Project (CDP) questionnaire, to get a clear picture of the strategies being implemented against climate change and of current or required initiatives to reduce their own CO<sub>2</sub> emissions. The analysis of the results gave rise to many ideas that will come into play when establishing future collaborations with suppliers. The companies involved in the CDP Supply Chain generated 722 million tons of CO<sub>2</sub> emissions<sup>2</sup> to supply CNH Industrial. The activity will continue in 2014, involving a greater number of suppliers.

<sup>(2)</sup> Including scope 1, 2 and 3 emissions.

**CDP SUPPLY CHAIN**

MAIN RESULTS OF THE ANALYSIS OF 2013

**Spreading an internal culture of sustainability**

Initiatives targeting employees responsible for supplier relationships have been consolidated over the years, aiming at ensuring satisfactory awareness of sustainability and good governance through an ongoing dialogue with the suppliers in question.

Buyers and Supplier Quality Engineers (SQE), in fact, take part every year in training activities to explore some of the key issues of environmental and social responsibility.

Moreover, the 2013 variable compensation system for SQE Managers and their team members continued to incorporate sustainability criteria for the assessment of their performances.

**OUR PROJECTS****IMDS: AN ENVIRONMENTAL MANAGEMENT TOOL**

To provide support in managing the environmental aspects linked to the production of vehicles and components, CNH Industrial has extended the International Material Data System (IMDS) to its entire production. This system, in use for light vehicles since 2002, is an online platform that enables the input of detailed information on the materials and substances used in purchased components. The system also allows for the input of information regarding the use of recycled materials. In 2013, all of CNH Industrial's suppliers continued to enforce IMDS data entry to complete the task started in previous years. This allows monitoring of compliance with the REACH regulation, as well as with other aspects that are not mandatory for industrial vehicles (such as Directive 2000/53/EC on heavy metal restrictions or Directive 2005/64/EC on vehicle reuse, recycling and recovery), in response to customer requests relating to green procurement. In 2013, suppliers filled out approximately eight thousand data sheets.

**ONGOING DIALOGUE WITH SUPPLIERS**

Strongly convinced that suppliers are key partners for its growth, CNH Industrial is committed to engaging them and keeping them informed at all times. The Company continued to strengthen its relationships with suppliers in 2013, as evidenced by the many existing long-standing and mutually beneficial alliances and by the minimal number of disputes.

Numerous events and activities take place to encourage ongoing communication with suppliers. The primary tool used by CNH Industrial to share information is a dedicated **Internet portal** providing information on technical requirements, supply scheduling and quality, and the results of compliance tests carried out on new components. Suppliers, in turn, use the portal to provide CNH Industrial with details regarding technical specifications of supply contract bids, the origin of suggested components, updated contact details, and so on.

A dedicated **email address** was created, providing a further communication channel to request information or report non-compliances within the supply chain.

In line with previous years, several initiatives continued to promote the exchange of ideas and information, including **Technology Days** (12 events organized in 2013) attended by approximately 1,200 people. During these meetings, suppliers that are industry-leaders in innovation, technology and quality discussed specific topics and shared information on recent technological developments.

The first ever **Supplier Advisory Council** addressing CNH Industrial's suppliers in the EMEA Region was organized in July. Its goal is to promote the exchange of information and opinions with leading suppliers that account for a significant percentage of the value of annual purchases in each Region and for each segment. Suppliers were selected for their economic importance and for their ability to represent market trends and establish a benchmarking network with competitors.

12



Technology Days

GRI-G4  
DMASustainability Plan  
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DMA, EMEA, IMDS, REACH

Moreover, **World Class Manufacturing** activities carried out at suppliers' plants were given an extra boost in 2013 compared to previous years, partly thanks to a much closer collaboration between WCM Purchasing teams, FGP functions and the main WCM team. This joint effort has led to the achievement of the target stated in the Sustainability Plan for 2013, i.e., the involvement of 98 supplier plants in the WCM program. Activities were developed in two distinct but equally important phases, providing suppliers with the necessary knowledge to apply the intrinsic concepts of Lean Production. Firstly, various training sessions led by CNH Industrial's WCM program specialists took place at the premises of suppliers. Secondly, supplier WCM teams were given the opportunity to visit some selected CNH Industrial plants, to share the Company's best practices.

This dual activity has allowed some of the most active suppliers to achieve good results during the year, especially in the so-called model area (i.e., the first area of a plant where WCM methodologies and tools are applied rigorously). These suppliers were also audited by certified auditors, achieving good ratings.

The analysis of the KPIs monitored at supplier plants revealed some significant improvements. At the best plant in the chemical sector, for example, there were zero accidents, and, in terms of engaging people on the issue of quality, an average of five improvement proposals were collected per operator. The best plant in the electricity sector saw a 40% reduction in activities with low added value, and a 25% increase in overall equipment effectiveness<sup>1</sup>. The best plant in the mechanical sector reported: a 40% abatement in set-up time through specific projects (Single Minute Exchange of Die<sup>1</sup>); the elimination of mechanical failure caused by the lack of basic conditions; and, in terms of environmental protection, a substantial reduction in fuel consumption of the electromotive force (-46%) and waste (-34%). These results demonstrate how plants are making better use of resources and equipment, in favor of increased long-term competitiveness.



## OUR PROJECTS



### A SUSTAINABILITY AWARD

In 2013, CNH Industrial's first ever *Sustainability Supplier of the Year* award was assigned to one of the Company's suppliers in the EMEA Region, in recognition of the excellent results regarding its activities in favor of sustainability. With this initiative, CNH Industrial is aiming at encouraging good stewardship practices within its supply chain. The initiative will also continue in 2014, extending to all suppliers worldwide.

CNH Industrial also continues to promote numerous initiatives to encourage innovation among suppliers; in particular, the Supplier Performance (**Su.Per**) program advocates a proactive attitude to business, and allows sharing the economic benefits arising from the introduction of the innovative methods and technologies suggested. In 2013, six suppliers benefited from the program and six proposals were actually realized; the economic benefits generated during the year in favor of suppliers were estimated at €400 thousand. One example of a joint project developed by CNH Industrial and suppliers is the modified structure of the F1A engine oil cooler, manufactured at the Foggia plant (Italy), which cut costs by €1.4 per unit.

Moreover, a **training course** was organized in October for small and medium-sized suppliers in the EMEA Region, to illustrate sustainability issues and their implications within the supply chain, with a view to shared responsibility. The course was attended by 13 very enthusiastic suppliers, who learnt how their activities could contribute to the sustainability of CNH Industrial. In addition, the CO<sub>2</sub> emissions generated by participants traveling to the event were offset by the purchase of 15 credits in favor of the reforestation project of the Veneto Regional Park in the Po Delta (Italy)<sup>2</sup>.

Respect for human rights and working conditions along the entire supply chain is another major issue that CNH Industrial is focused on. In 2012, an **online training course** developed with the Automotive Industry Action Group (AIAG) was provided to educate and raise awareness among suppliers on responsible working conditions in various countries, tackling topics such as child labor, forced labor, freedom of association, discrimination, health and safety, wages and working hours. In 2013 the training included several suppliers that do not have a direct contractual relationship with CNH Industrial (Tier-2 suppliers).

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DMA

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Glossary  
AIAG, Audit, DMA, EMEA,  
ISO 14064, KPI,  
Tier-2 suppliers, WCM

<sup>(1)</sup> Methodologies integrated in the Lean Production theory.

<sup>(2)</sup> Emissions calculated according to IPCC (International Panel on Climate Change) methodologies, based on the transport of participants; the Ecoinvent database is the key source of reference. The CO<sub>2</sub> emission inventory method arranged and used by AzzeroCO2 complies with the requirements of the UNI EN ISO 14064-1:2012 standard, and was verified by RINA Services S.p.A.



## OUR PROJECTS



## SUPPORTING SUPPLIERS IN DIFFICULTY

The global financial meltdown and the continued economic crisis in Europe have demanded the close monitoring and management of the critical situations arising along the supply chain.

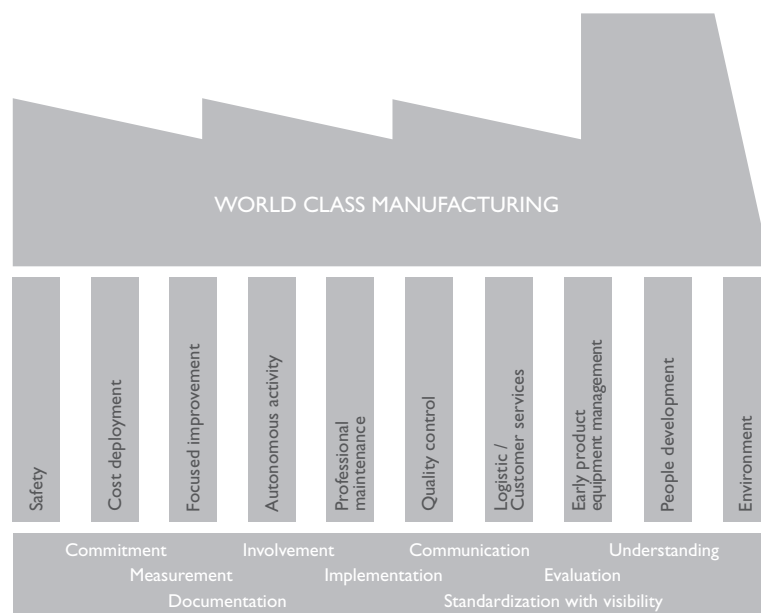
CNH Industrial has strengthened the structures and mechanisms in place to manage suppliers in financial difficulty, focusing on promptly identifying high-risk situations and stabilizing them through appropriate measures to ensure supply continuity. These actions are carried out, when possible, in partnership with other manufacturers, and offer support to restructuring projects and temporary financial aid, while also attempting to safeguard jobs.

## WORLD CLASS MANUFACTURING

CNH Industrial, in striving to consolidate and maintain high standards of excellence in its manufacturing systems, applies principles of World Class Manufacturing (WCM), an innovative program for continuous improvement originating from Japan.

WCM is a structured system encompassing the most effective manufacturing methodologies, which include Total Quality Control (TQC), Total Productive Maintenance (TPM), Total Industrial Engineering (TIE), and Just In Time (JIT). By applying precise methods and standards, WCM seeks to eliminate all types of waste and loss; in fact, it has identified objectives such as: zero injuries, zero defects, zero breakdowns, zero waste, reduced inventories, and punctual delivery of parts by suppliers to plants, and thereafter to dealers and end users. These objectives require a strong commitment from plant management and all concerned departments, reinforced by continuous communication between all organizational levels.

## WCM PILLARS



GRI-G4  
DMA

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WCM

One of the main features of the WCM program is the direct relationship between an activity or project and its cost benefits. Actions for continuous improvement, in fact, are driven by the Cost Deployment pillar, which precisely identifies all plant wastes and losses, guides the activities of the corporate functions in charge

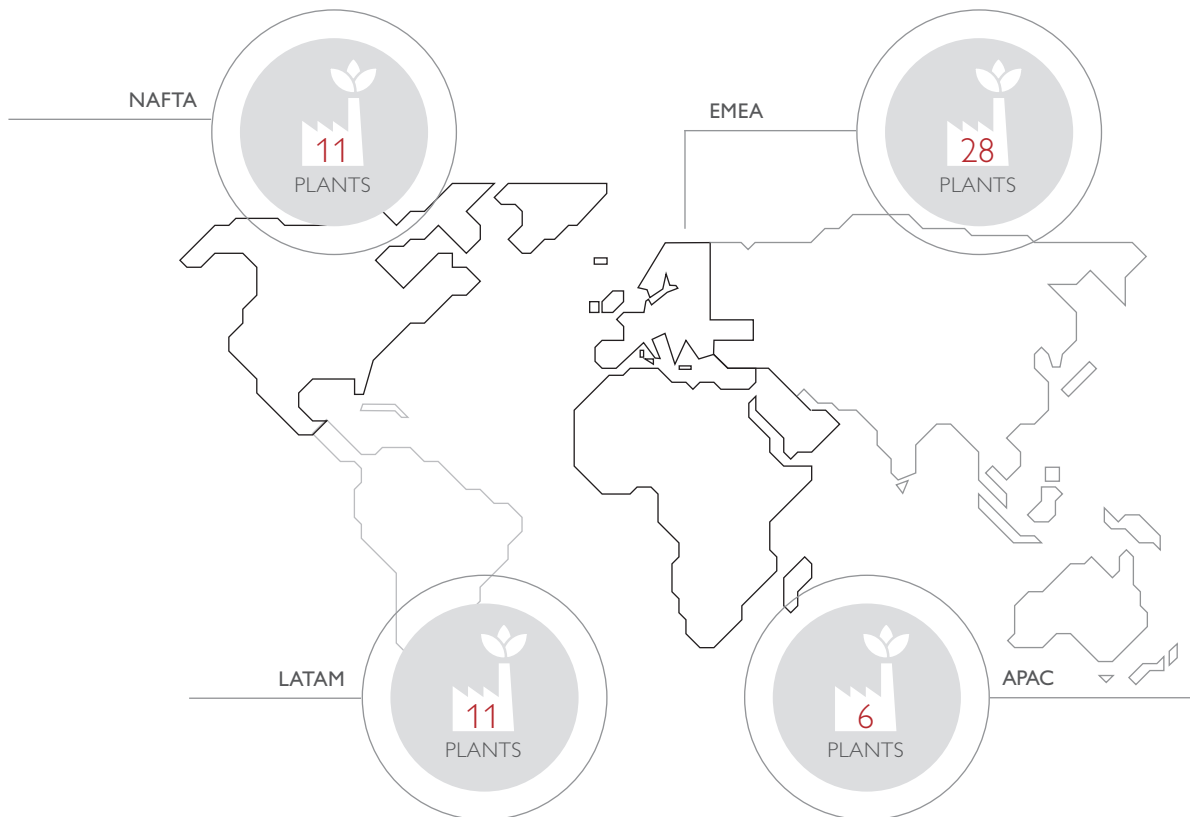
of containing and eliminating the sources of waste, evaluates project feasibility, and assesses and certifies the results achieved by carefully monitoring specific performance indicators (KPI). Such a methodical and structured approach ensures a genuinely effective process to evaluate interventions, in that it measures and correlates all factors affected by the intervention itself.

The widespread use of WCM principles at all CNH Industrial plants allows the entire Company to share a common culture based on efficient processes and on a language universally recognized in all plants and countries in which CNH Industrial operates.

The WCM system is also integrated outside the Company since, on the one hand, it must be able to meet its customers' needs with maximum flexibility and effectiveness and, on the other, it must be shared with its suppliers (see also page 155) to ensure product quality and efficient processes. WCM seeks to instill and reinforce the idea that everyone who is part of an organization must know their customers and strive to satisfy their needs, as well as those of all other stakeholders, regarding products, order processing, delivery, quick response services, and after-sales assistance. After all, the aim of continuous improvement is to increase customer satisfaction and loyalty, while also ensuring long-term profitability, by developing processes and adding value to products and services.

## WCM PLANTS

CNH INDUSTRIAL WORLDWIDE



The WCM system cuts across all Company boundaries and is applied to all departments, embracing numerous topics (known as *pillars*) including safety in the workplace, the environment, quality, logistics, in-house and specialist maintenance, human resources, and process and product engineering (involving the reorganization of work stations, the installation of new machinery, and new product launches).

GRI-G4  
DMA

Sustainability Plan  
Our commitments on page 116

Glossary  
APAC, EMEA, LATAM, KPI,  
NAFTA, Stakeholders, WCM



**€154.4 million**  
saved through WCM projects

One of the system's strengths is the way it incentivizes people, who are an intrinsic part of the model, to engage and take responsibility, contributing directly to process optimization via a well-established system of collecting suggestions. They are an integral part of target achievement, as they are involved throughout the entire improvement project (universally known as *kaizen*), from definition to realization.

This allows individuals to acquire and develop skills and good practices that are then shared across plants, forming a network of expertise and knowledge at the service of the Company. WCM plays a role in creating an organization that is engaged and free of barriers, where ideas, knowledge and talent are shared between working groups, both within and across different plants.

At CNH Industrial, the use of tools for sharing information and collecting suggestions is well established; in 2013, about 375 thousand suggestions were collected across the plants where WCM principles are applied, with an average of ten per employee. In 2013, the projects implemented within WCM generated savings of €154.4 million.



Each pillar involves a seven-step approach and auditing process, culminating in several awards (bronze, silver, gold, and *world class*). Increasingly challenging targets are reached by means of a rigorous approach comprising three progressive levels: reactive, preventive and proactive.

In December 2013, 56 plants were participating in the program (33 in Agricultural and Construction Equipment, 16 in Trucks and Commercial Vehicles, and 7 in Powertrain), involving 90% of Company plants, 98% of plant personnel, and 99% of industrial revenues; 18 of them received bronze awards (11 in Agricultural and Construction Equipment, 3 in Trucks and Commercial Vehicles and 4 in Powertrain) and four received silver awards (Bourbon Lancy, Madrid, Suzzara and Valladolid).

During 2013, courses were held to train plant managers in internal auditing, so supporting the continued spread of WCM.

A *steering committee* (established in March 2012), consisting of Top Manufacturing management and CNH Industrial's WCM managers, coordinates WCM initiatives, driving the relevant strategies and developing the required methodologies for the entire Company.

GRI-G4  
DMA

Sustainability Plan  
Our commitments on  
pages 106, 116

Glossary  
Audit, DMA, Kaizen, WCM

## ENVIRONMENTAL MANAGEMENT

CNH Industrial is committed to continuously improving the environmental performance of its production processes, adopting the best technologies available and acting responsibly to preserve natural resources. Environmental protection at CNH Industrial is ensured through criteria of prevention, protection, information and people engagement, thus guaranteeing long-term management.

The materiality analysis has identified the use of water, the protection of biodiversity, and waste and effluent management as the most significant environmental aspects<sup>1</sup>, both internally and from the stakeholders' perspective. The management of both waste and effluents is particularly relevant because it is linked to the efficiency of disposal and to the reduction of pollution risks (and hence reputational risks), which have greater economic and social implications than all other environmental aspects.

Water management and the protection of biodiversity are also of great importance, given the increasing relevance they are gaining among the international community. These two aspects are regularly addressed by the Company through initiatives driven by investments that, at this stage, are commensurate with the extent of their impact in the areas most affected.

The Environmental Guidelines, available on the Company website, were issued in 2010 by Fiat Industrial, and adopted by CNH Industrial in September 2013 following approval by the Board of Directors. They describe the short, medium, and long-term commitments toward the responsible management of the environmental aspects of production (particularly energy, natural resources, raw materials, hazardous substances, polluting emissions, waste, natural habitats and biodiversity).

All of the aforementioned aspects are included in both the environmental management system of CNH Industrial and the environmental pillar of World Class Manufacturing; both systems require compliance with guidelines, procedures and operating instructions, and regular internal audits and reviews by management. This approach ensures the effective management of environmental aspects, and the adequate evaluation of the results achieved (even with respect to estimated targets); it also ensures that results are duly shared, including through the Sustainability Report and the corporate website.

All environmental aspects are monitored, measured and quantified to set improvement targets at both corporate and segment level. As further evidence of the Company's commitment toward protecting the environment, all 2013 targets set in the 2010-2014 Environmental Plan and included in the Sustainability Plan (see also pages 117-118) were reached, while indicators have confirmed the continuous improvement of the previous years.

CNH Industrial's determination to manage the environmental impact of its business in a sustainable way was recognized globally in 2013 by the results obtained in the assessment for inclusion in the Dow Jones Sustainability Index (see also page 97).

Activities are carried out in compliance with the agreements and international standards governing environmental protection, and with the laws and regulations in force.

The building of any new plant abides by environmental protection criteria, taking into account territory-specific needs and the impact of construction.

The path toward reducing the Company's environmental footprint, which encompasses every aspect affecting the environment (from the selection, use and processing of raw materials and natural resources, to product end-of-life and disposal), continued to require significant commitment in 2013, both financially and in terms of improving technical and management performance.

CNH Industrial's overall expenditure on environmental performance improvement in 2013 exceeded €37 million (+5% compared with 2012), broken down as follows: €23.3 million for waste disposal and emissions treatment and €14 million for prevention and environmental management. The cost breakdown by segment was: €15.5 million for Agricultural and Construction Equipment, €14.2 for Trucks and Commercial Vehicles and €7.6 for Powertrain.



GRI-G4  
DMA; EN31



Sustainability Plan  
Our commitments on  
pages 117-118



Glossary  
Audit, Biodiversity, DMA,  
Stakeholders

<sup>(1)</sup> As regards emissions, see page 171.

## RESPONSIBILITY AND ORGANIZATION

The Group Executive Council (GEC) has the highest responsibility for initiatives focusing on environmental protection at CNH Industrial. Plant managers are responsible for fulfilling specific projects aiming at the environmental improvement of the production process.

Individual environmental impact reduction targets were included in the Performance and Leadership Management system (see also page 46) of both plant managers and most of the managers responsible for the projects indicated in 2013 Sustainability Plan.

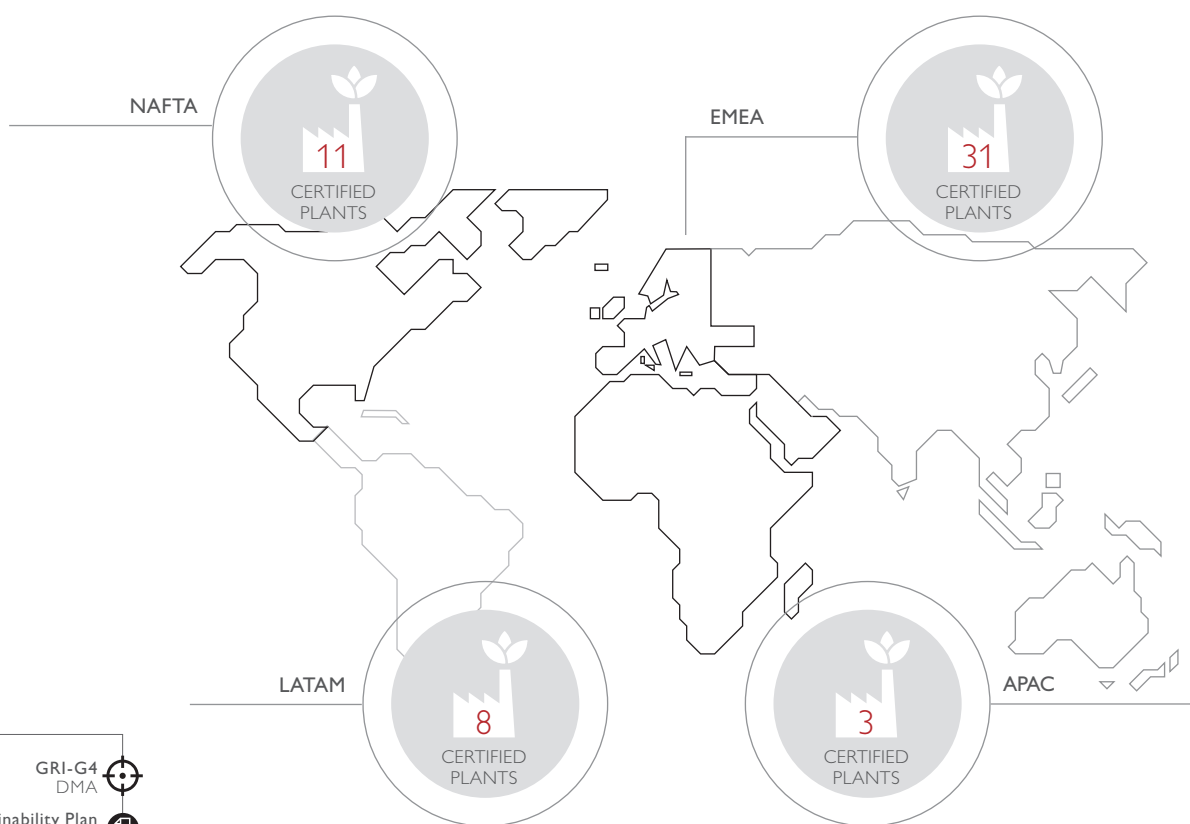
In order to ensure policy consistency with Environmental Guidelines, each Region coordinates and manages issues relating to the environment and to occupational health and safety through the EHS (Environment, Health and Safety) function, which establishes environmental policies, ensures that commitments are met locally, periodically verifies performance against targets, and proposes new initiatives. An important role is also played by every plant employee involved with environmental issues in various capacities and belonging to other functions/bodies (production line, logistics, manufacturing engineering, etc.).

Furthermore, the Company avails itself of centralized systems such as the Standard Aggregation Data (SAD), i.e., a performance indicator management tool, and the Environment, Health and Safety IT platform, which provides users with training and information tools such as ISO 14001 certification support documents (guidelines, procedures and reporting guidelines, etc.). Approximately 350 people from Company sites worldwide have access to the platform.

## PROCESS CERTIFICATION

The environmental management system of CNH Industrial's manufacturing processes is certified and maintained according to the ISO 14001 standard, through accredited external organizations and bodies. In 2013, the Company continued to pursue and maintain the certifications for its manufacturing plants.

### ISO 14001 CERTIFIED PLANTS CNH INDUSTRIAL WORLDWIDE



GRI-G4  
DMA

Sustainability Plan  
Our commitments on page 117

Glossary  
APAC, DMA, EMEA, ISO 14001,  
LATAM, NAFTA, SAD

In 2013, in line with Sustainability Plan targets, the environmental management system certification process also continued to be pursued for Italian non-manufacturing sites, as in the successful case of the Powertrain Product Engineering organizational unit in Turin (Italy), which develops engines and transmissions.

The mapping of direct material suppliers certified as per ISO 14001 standard was completed during the year by means of a questionnaire, delivered within the scope of an environmental awareness campaign. The results evidenced a good level of environmental certifications among CNH Industrial suppliers.



**53** ISO 14001  
certified plants

Lastly, a course for ISO 14001 internal auditors was organized for the EHS staff members of Italian plants, to create a cross-sector team for the auditing of environmental management systems. The purpose of this team is to facilitate the exchange of experiences, ensuring that standards are applied consistently across different manufacturing plants.

## ENGAGEMENT AND AWARENESS ACTIVITIES

One of the most effective tools used by CNH Industrial to engage people and share information is World Class Manufacturing (see also page 156), a program fostering good practice and the implementation of improvement projects suggested directly by employees.

With regard to training activities in 2013, various courses were organized for staff members involved with environmental issues, to increase knowledge, expertise and awareness. More than 46 thousand training hours on environmental issues (+3% compared with the previous year) were provided to more than 25 thousand employees. As regards awareness and communication activities, on the occasion of World Water Day (celebrated every year on 22 March), a summary of CNH Industrial's efforts toward the sustainable management of water resources was published on the corporate intranet. As part of this initiative, in line with the United Nations' declaration of 2013 as the International Year of Water Cooperation, the Company reported its main water-related initiatives and results.

Additionally, as part of the 41<sup>st</sup> World Environment Day (5 June 2013), CNH Industrial addressed employees and suppliers with a series of internal communication and awareness campaigns worldwide, to highlight the relevance of this matter and to promote environmental protection. On this occasion, Turin's Industrial Village (Italy) hosted the Energy & EHS Days event, where energy specialists and EHS experts shared policies, strategies, objectives and initiatives of mutual interest (see also page 173).

Many other initiatives were implemented at local level, such as the project at the Driveline plant in Turin (Italy) to promote awareness and information among salaried and hourly employees on workplace safety and the environment. The project set up so-called **Environment & Safety LABs** within the plant's shops, furnished with tables and chairs made of materials derived from recycled and reused packaging.



## OUR PROJECTS



### AN ORCHARD AT THE BRESCIA PLANT

In line with World Environment Day, whose motto for 2013 was *Think, Eat, Save*, the plant in Brescia (Italy) created a green orchard within its industrial zone, planting a number of ancient fruit tree species linked to the history of Brescia. The initiative aimed at rediscovering and reviving old traditions and at promoting a sustainable food and environmental culture. The plant has become a sustainability reference point for the local community, fostering an environmental culture linked to biodiversity and to the daily choice of sustainable food. The plant also organized the first communication event in October, engaging employees' children accompanied by their parents. Gathered at the orchard, they participated in fun activities and games centered on traditional fruits, learning the importance of healthy and sustainable nutrition. At the end of the day, the children were invited to the first ever recyclable snack, organized to raise their awareness on proper waste separation and differentiation.

At these labs, employees were invited to focus on specific topics such as waste sorting, waste recycling, protection equipment and its use, and labeling of dangerous products both at work and at home. Participants were engaged through videos, posters, practical examples and interactive tests, to stimulate their attention and expedite learning.

A further educational project called **The Future Needs Us** was initiated at the plant in Contagem (Brazil), focusing on reforestation. Implemented in the city of Betim, State of Minas Gerais, it focused on associating respect for the environment with the concept of sustainable development. A similar activity was also implemented by the Plock plant (Poland); **trees** were planted near a number of schools to raise awareness and involve the local community. Employees were involved in the planting, to strengthen their engagement and commitment in addressing environmental issues in their everyday lives.

GRI-G4  
DMA

Sustainability Plan  
Our commitments on  
pages 116-117

Glossary  
Audit, Biodiversity, DMA,  
ISO 14001

## ENVIRONMENTAL PERFORMANCE

The Standard Aggregation Data (SAD) monitoring and reporting system is used to keep track of environmental performance, measure the effectiveness of actions taken to achieve targets, and plan new initiatives for continuous improvement, through the management of Key Performance Indicators (KPI). These indicators can be analyzed at different aggregate levels (plant, segment or corporate), which allows for Company intervention as well as the engagement of different corporate functions at various levels, simultaneously and in parallel, to ensure that targets are met.


### SAFEGUARDING AIR QUALITY

Reducing atmospheric emissions is one of CNH Industrial's strategic goals, consistent with the results of the materiality analysis. The application of best available technologies, both in the manufacturing process and in the production and use of energy, is critical to ensure that the improvement targets set by the Company are met. The main atmospheric emissions are monitored according to specific programs to ensure that existing regulations are complied with, and results are systematically recorded by means of the SAD monitoring system.

#### Volatile Organic Compounds (VOC)

Of all manufacturing processes, painting has the greatest environmental impact owing to the presence of Volatile Organic Compounds (VOC). For this reason, CNH Industrial is committed to monitoring and reducing VOC emissions per square meter painted. In 2009, chosen as the base year<sup>1</sup>, the Company's average emissions were approximately 67 g/m<sup>2</sup> painted; in 2013, the value dropped to 48.6 g/m<sup>2</sup> (-27.5%), achieving the reduction target of -15% compared with 2009 one year in advance.

**-2%**  
in VOC  
emissions  
per square meter  
painted



Aiming at reducing emissions into the atmosphere, the plant in Goodfield (USA) has developed a **new painting system** with low environmental impact. The system consists of a pretreatment line equipped with a multi-stage washer, an electrophoresis immersion basin, and an enamel powder coating system replacing the previous solvent-based one. The new system enhances the quality of the painted product, while reducing the plant's environmental impact. VOC emissions were in fact abated by 97%. It is also equipped with a system for the treatment and recovery of the wastewater from washing, increasing water recycling by 55%.

An intervention on painting processes was also carried out at the plant in Curitiba (Brazil), allowing for a considerable reduction in VOC emissions. The plant's two-component mixture used until 2012, presenting a VOC content of about 52%, was replaced with a new system using a single-component paint containing about 35% VOC.

#### EMISSIONS OF VOLATILE ORGANIC COMPOUNDS

CNH INDUSTRIAL WORLDWIDE (g/m<sup>2</sup>)

|                       | 2013 | 2012 | 2011 |
|-----------------------|------|------|------|
| Average VOC emissions | 48.6 | 49.4 | 53.8 |

#### Ozone Depleting Substances (ODS)

At CNH Industrial plants, Ozone Depleting Substances (ODS) are only present in certain equipment used for cooling, air conditioning and climate control.

The Company regularly updates the inventory of systems and equipment containing ODS, to monitor the quantity of these substances within plants. Other interventions and actions are being implemented to completely replace them with more eco-compatible gases and/or technologies by the end of 2014.

Ahead of the aforementioned deadline, the plant in Ulm (Germany), in conjunction with the renovation of its facilities, eliminated all of the existing ODS, removing a total of approximately three hundred kilos. Similarly, the Zedelgem plant (Belgium) carried out an important initiative providing for the complete removal of the existing 335 kilos of ODS by early 2014, to be replaced with eco-friendly gas. These two activities have cut ODS by almost 30% at CNH Industrial plants in the EMEA Region.

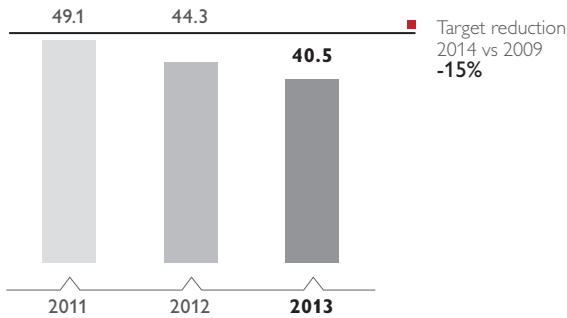
Furthermore, as part of the Company's information initiatives on environmental issues, specific guidelines regarding legal requirements and the proper handling of refrigerant gases were developed and disseminated in 2013 to the plants in the EMEA Region, to inform and make employees aware of the regulatory requirements and environmental aspects associated with the substances present in plants.

No accidental ODS leaks were reported in 2013 (for details on ODS emissions see page 220).

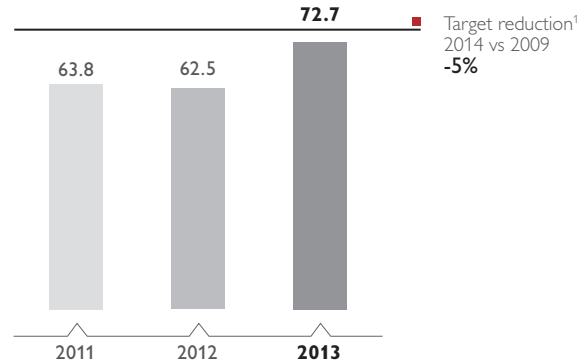
<sup>(1)</sup> In 2010, consistently with the industrial plan, the decision was made to use 2009 as the base year for setting targets for 2014.

## EMISSIONS OF VOLATILE ORGANIC COMPOUNDS

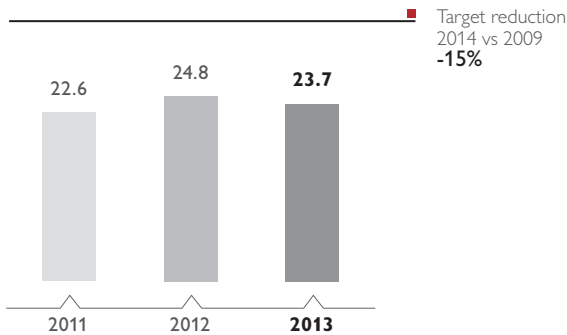
### AGRICULTURAL AND CONSTRUCTION EQUIPMENT (g/m<sup>2</sup>)



### TRUCKS AND COMMERCIAL VEHICLES (g/m<sup>2</sup>)



### POWERTRAIN (g/m<sup>2</sup>)



REDUCING AIR EMISSIONS IS ONE OF THE **STRATEGIC** GOALS THAT CNH INDUSTRIAL PURSUES BY APPLYING THE **BEST** MANUFACTURING **TECHNOLOGIES** AVAILABLE

## Emissions of NO<sub>x</sub>, SO<sub>x</sub> and Dust

CNH Industrial also monitors emissions of nitrogen oxides, sulfur oxides and inorganic particulate matter, all deriving from fossil fuel combustion, since these pollutants can impact the climate, ecosystems and human health.

## Emissions of NO<sub>x</sub>, SO<sub>x</sub> and Dust

CNH INDUSTRIAL WORLDWIDE (tons)

|                                    | 2013  | 2012 <sup>2</sup> | 2011  |
|------------------------------------|-------|-------------------|-------|
| Nitrogen Oxides (NO <sub>x</sub> ) | 443.0 | 418.8             | 439.5 |
| Sulfur Oxides (SO <sub>x</sub> )   | 41.2  | 50.6              | 64.9  |
| Dust                               | 5.7   | 5.3               | 6.4   |

<sup>(2)</sup> The data for 2012 have been adjusted compared with those in 2012 Sustainability Report.

## WATER MANAGEMENT

CNH Industrial considers the sustainable management of water a strategic commitment in a global context where the growth in population and in subsequent water demand is met by a marked scarcity of water resources in an increasing number of areas worldwide. Furthermore, from a business and risk management point of view, the Company recognizes that the economic importance of proper water management lies in the continuity of supply for industrial processes.

CNH Industrial's efforts in this regard focus on increasing water efficiency within its industrial processes, subject to geographic and ecological context. The Company's plants operate locally to reduce water requirements and wastewater volumes, while always ensuring high quality standards.

In 2013, the Water Management Guidelines, extended to all CNH Industrial plants during the previous two year period, were used to implement new tools that are integrated with the environmental management system documentation, and that support the management of water resources and effluents at individual plant level; the plants in Piacenza, Suzzara and Lecce (Italy) have actively collaborated in the development of these tools, and initiated their implementation.

<sup>(1)</sup> The target was updated for several reasons, including: change in production activities (processes and volumes), relocation of some production activities and conversion of some plants, change in reporting scope and interruptions in production. The increase in VOCs in the Trucks and Commercial Vehicles segment is mainly due to their increased use at the Sete Lagoas plant (Brazil), where VOC emissions account for about 40% of the segment's total global emissions. In 2013, in response to demand, the plant enlarged production of vehicle chassis of different colors, leading to an increase in the number of wash cycles (with solvent) of painting systems and, consequently, to a growth in VOC emissions.



GRI-G4  
DMA; EN21



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pages 117-118



Glossary  
DMA, NO<sub>x</sub>, SO<sub>x</sub>, VOC



In 2014, the project is expected to be extended to other plants, further enhancing the Company's commitment to optimizing the management of water resources across its production sites.

Plants currently optimize water use by:

- analyzing the consumption, make-up and management of water withdrawal and distribution systems, and identifying and eliminating leaks and waste
- identifying the manufacturing processes with the greatest impact on water resources and adopting changes and technological innovations to boost efficiency and reduce consumption
- recycling water within individual manufacturing processes and reusing it in multiple processes
- raising staff awareness of responsible water use.



in water  
withdrawals  
per hour of production

In 2013, thanks to joint and coordinated efforts across Company segments, overall water use performance (in terms of water withdrawal per production unit) improved, in line with the targets set for 2014.

Particularly noteworthy is the increasing reduction in water withdrawal per hour of production, which was cut by half compared to 2009 (base year) going from 0.32 m<sup>3</sup>/h to 0.16 m<sup>3</sup>/h.

A measure was implemented at the Antwerp plant (Belgium) to reduce water withdrawals by collecting and using **rainwater** in the production process; in 2013, the amount of rainwater recovered was approximately 275 m<sup>3</sup>.

Another optimization project was carried out at the Curitiba plant (Brazil), where the painting line pretreatment system was refurbished by reducing the volume of process tanks and by including an oil-water separator, which ensures better quality and increased the duration of the degreasing bath (located downstream of the separator). The project significantly reduced the consumption of water and chemicals used in the degreasing bath. The intervention, in fact, cuts

annual water consumption by about 13 thousand m<sup>3</sup> (more than 12% of consumption) and the total

cost of water withdrawal and chemical consumption by about €24 thousand.

CNH Industrial plants do not use wastewater from other organizations.

#### WATER WITHDRAWAL AND DISCHARGE

CNH INDUSTRIAL WORLDWIDE (thousands of m<sup>3</sup>)

|                               | 2013         | 2012         | 2011         |
|-------------------------------|--------------|--------------|--------------|
| Plants                        | 55           | 59           | 61           |
| <b>Withdrawals</b>            |              |              |              |
| Groundwater                   | 4,067        | 4,724        | 5,278        |
| Municipal water supply        | 2,496        | 2,436        | 2,357        |
| Surface water                 | 23           | 23           | 30           |
| of which salt water           | -            | -            | -            |
| Rainwater                     | 1            | n.a.         | n.a.         |
| Other                         | -            | 1            | 9            |
| <b>Total water withdrawal</b> | <b>6,587</b> | <b>7,184</b> | <b>7,674</b> |
| <b>Discharge</b>              |              |              |              |
| Surface water                 | 1,244        | 1,195        | 1,338        |
| of which salt water           | -            | -            | -            |
| Public sewer systems          | 3,389        | 3,439        | 3,901        |
| Other destinations            | 76           | 40           | 47           |
| <b>Total water discharge</b>  | <b>4,709</b> | <b>4,674</b> | <b>5,286</b> |

Safeguarding the water bodies that receive the wastewater from industrial processes is equally important. For this reason, all plants are fitted with suitable internal systems for the treatment of their production wastewater. These systems, which are managed by internal staff or by specialized industry partners, purify the water discharged outside the plant primarily through physical and chemical processes; depending on wastewater quality, biological treatments may be required as well.

The effluents of CNH Industrial plants are not channeled for reuse in other organizations.

For each Company segment, the wastewater quality indicators, which refer to the three parameters considered most representative (biochemical oxygen demand, chemical oxygen demand and suspended solids), showed that performance in 2013 exceeded the expected targets.

Among the activities carried out in 2013, the plant in Racine (USA) created a **biofilter** system for the treatment of run-off rainwater of part of its plant. After collection in a suitable tank, the rainwater percolates into a green area of the plant set up with native plants serving as biological filters, retaining and removing impurities. Once filtered, the water is discharged into the internal rainwater collection network and drained outside the plant. This intervention was carried out to improve the quality of discharged water while reducing the environmental impact.

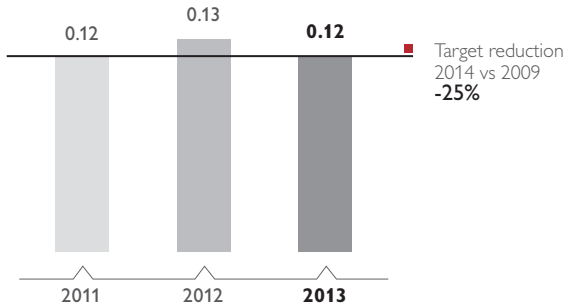
GRI-G4  
DMA; EN8; EN22

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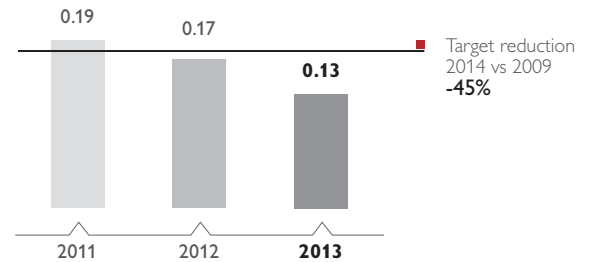
Glossary  
DMA

## WATER WITHDRAWAL PER PRODUCTION UNIT

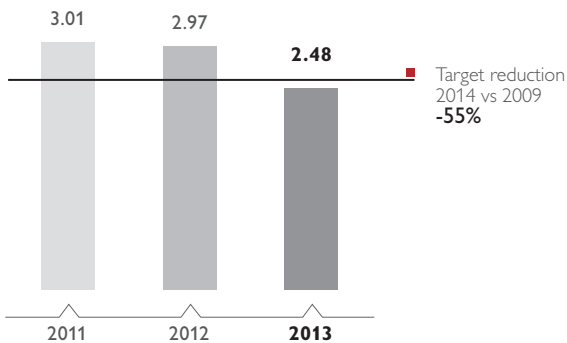
### AGRICULTURAL AND CONSTRUCTION EQUIPMENT m<sup>3</sup>/hour of production



### TRUCKS AND COMMERCIAL VEHICLES m<sup>3</sup>/hour of production



### POWERTRAIN m<sup>3</sup>/unit produced



CNH INDUSTRIAL OPERATES  
LOCALLY TO **REDUCE** WATER  
REQUIREMENTS AND WASTEWATER  
VOLUMES, WHILE AT THE SAME  
TIME **ENSURING** HIGH QUALITY  
STANDARDS

## Plants in water-stressed areas

Following the adoption of the Water Management Guidelines in 2011, three plants were identified as sensitive in terms of availability and use of water resources across the areas in which the Company operates. The areas in question were identified by using the map of worldwide water-stressed regions, defined by the Food and Agriculture Organization (FAO) in 2008, according to which the countries considered as water-stressed are those where water availability per capita is less than 1,700 m<sup>3</sup>/year. Following this principle, the plants concerned are those in New Delhi (India), Plock (Poland), and Vysoké Myto (Czech Republic). Specific actions to reduce water withdrawal and water needs were identified and implemented at all three plants, to minimize their impact on the water demand of their hosting countries, in the attempt to preserve and safeguard water resources (see also page 223).

## SOIL AND SUBSOIL PROTECTION

In the scope of activities aimed at reducing the environmental impact, and in line with the goals of the Sustainability Plan, specific guidelines for the management of existing underground systems were developed and disseminated in 2013 across all plants in the EMEA Region. These operational guidelines concern the monitoring of existing underground reservoirs, tanks, drains and pipes, for further improving environmental protection.

A policy was also developed and disseminated for new product storage installations, specifying the construction requirements of new above-ground reservoirs, tanks, drains and pipes.

Furthermore, targeted efforts continued to be pursued to minimize possible sources of contamination for soil and subsoil: the plant in Annonay (France) removed two underground tanks containing a total of 12 m<sup>3</sup> of fuel, while the plant in Antwerp (Belgium) removed an underground 120 m<sup>3</sup> tank containing oil coolant. The number of underground tanks at plants in the EMEA Region went from 91 in 2012 to 68 at the end of 2013, reducing total cubic meters stored by almost 20% compared to the previous year. In 2013, no significant spills of pollutants occurred at CNH Industrial, apart from three events of negligible impact in the NAFTA Region: 0.07 m<sup>3</sup> and 0.06 m<sup>3</sup> of oil spilt at the Benson plant (USA) and 3 m<sup>3</sup> of jetting fluids spilt at the Racine plant (USA), which were all cleaned up to acceptable standards.



GRI-G4  
DMA; EN24



Sustainability Plan  
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Glossary  
DMA, EMEA, NAFTA

## WASTE MANAGEMENT

CNH Industrial strives to optimize manufacturing processes and activities across all plants, with a view not only to enhancing the final product and eliminating wastefulness, but also to improving management of waste produced, which is one of the key aspects of the Environmental Guidelines.

Every plant carries out in-depth analyses of the entire production chain to improve waste management at every stage, limiting the quantities produced and reducing the risks posed by these materials. In addition, particular emphasis is placed on interventions that increase waste recovery and reuse, through the systematic application of waste sorting at the source where waste is produced. The Company's commitment to optimizing



waste management is shared by all plants alike, dedicated as a whole to finding solutions that facilitate waste recovery and minimize the amount of material sent to landfills. These, in fact, should always be considered a last resort, to be used only in exceptional or emergency cases when other options such as recovery, thermal utilization and treatment are unavailable. The waste disposal method has been determined directly by the organization or otherwise directly confirmed.

Results from 2013 testify to this remarkable effort, since the percentage of recovered waste materials (equal to approximately 83%) increased by almost 9% compared with 2009, while the percentage of waste sent to landfill dropped even further, to around 5%.

With regard to waste generated per production unit<sup>1</sup>, Trucks and Commercial Vehicles recorded a total drop of 16% with respect to 2009; as regards hazardous waste, the drop compared with 2009 was almost 50% for Agricultural and Construction Equipment and approximately 55% for Powertrain.

## WASTE GENERATION AND MANAGEMENT

CNH INDUSTRIAL WORLDWIDE (tons)

|                              | 2013           | 2012           | 2011           |
|------------------------------|----------------|----------------|----------------|
| Plants                       | 55             | 59             | 61             |
| <b>Waste generated</b>       |                |                |                |
| Non-hazardous waste          | 277,200        | 252,002        | 257,487        |
| Hazardous waste              | 26,807         | 30,247         | 36,381         |
| <b>Total waste generated</b> | <b>304,007</b> | <b>282,249</b> | <b>293,868</b> |
| of which packaging           | 119,620        | 77,035         | 79,220         |
| <b>Waste disposed</b>        |                |                |                |
| Waste-to-energy conversion   | 12,208         | 10,081         | 10,843         |
| of which hazardous           | 4,949          | 2,600          | n.a.           |
| Treatment                    | 24,892         | 32,500         | 33,816         |
| Sent to landfill             | 15,244         | 15,964         | 15,977         |
| <b>Total waste disposed</b>  | <b>52,344</b>  | <b>58,545</b>  | <b>60,636</b>  |
| <b>Waste recovered</b>       |                |                |                |
| <b>Total waste recovered</b> | <b>251,663</b> | <b>223,704</b> | <b>233,232</b> |
| of which hazardous           | 5,060          | 4,749          | n.a.           |
| Waste recovered              | 82.8%          | 79.3%          | 79.4%          |
| Waste sent to landfill       | 5.0%           | 5.7%           | 5.4%           |

Numerous initiatives were rolled out in 2013 to optimize waste management. The Piacenza plant (Italy) completed the installation of a new system for the treatment of industrial wastewater (resulting from chassis and finished vehicle washing), authorized for subsequent discharge into the public sewer system. This process will allow reducing the total amount of waste produced by the plant by over 24%, and the amount of hazardous waste by about 80%. It will also generate cost savings worth more than €15 thousand per year since the aqueous cleaning solutions, once disposed of as waste, will now be treated through the new system.

A significant intervention carried out at the Engine plant in Turin (Italy) has allowed reducing the use of raw materials and the generation of hazardous waste. The activity focused on the centralized systems returning the oil coolants used by production machinery, specifically on the progressive replacement of the emulsifiable product with a new high-performance one, and on the subsequent installation of a filtration system with permanent self-cleaning filters to replace the traditional disposable paper ones.

GRI-G4  
DMA; EN23

Sustainability Plan  
Our commitments on page 117

Glossary  
DMA

<sup>(1)</sup> The production unit is the main parameter for production volumes for each segment: hours of production for Agricultural and Construction Equipment and Trucks and Commercial Vehicles; units produced for Powertrain.

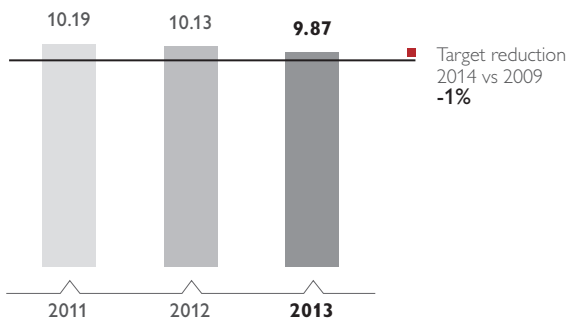
The intervention allowed for a 56% reduction in hazardous waste generated by exhaust oil disposal (57 tons per year), and 55% less hazardous waste from the use of absorbent materials (65 tons per year). Another positive aspect of the initiative was the 15% reduction (approximately 1,600 m<sup>3</sup>) in annual industrial water consumption in the production of oil coolant, and the 63% reduction (equal to 324 m<sup>3</sup>) in emulsifiers. The total financial benefit in 2013 was about €700 thousand. In 2014, the pilot filtration system will be extended to the remaining sections of the plant, thus completing the project.

A similar intervention, which has yielded interesting results in terms of reduction of both waste generation and product consumption, was carried out at the plant in Suzzara (Italy), where the electrophoresis process was enhanced by installing a control system detecting tank bacterial loads through continuous irradiation of high-frequency electromagnetic waves. This intervention led to the elimination of bactericides (about 8,500 kg per year), and to the subsequent reduction, in terms of hazardous waste production, by more than 800 kg per year of packaging containing bactericide residues. It also resulted in over €100 thousand in annual savings.

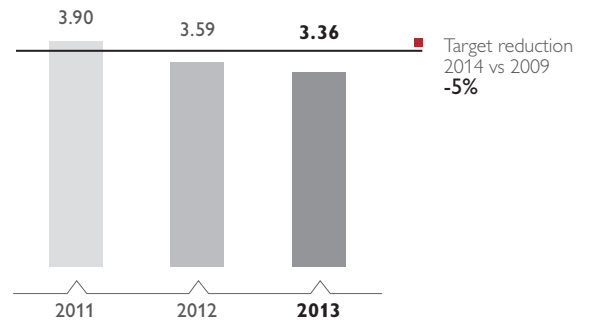


#### WASTE GENERATED PER PRODUCTION UNIT

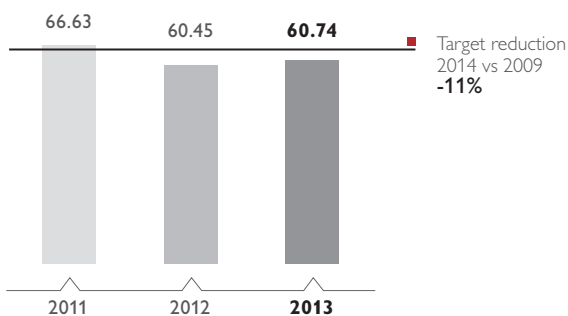
AGRICULTURAL AND CONSTRUCTION EQUIPMENT  
kg/hour of production



TRUCKS AND COMMERCIAL VEHICLES  
kg/hour of production



POWERTRAIN  
kg/unit produced



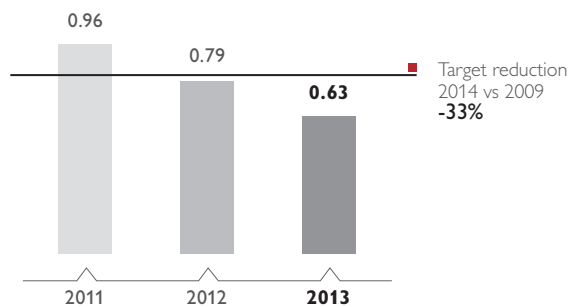
CNH INDUSTRIAL'S COMMITMENT  
TO FINDING SOLUTIONS THAT  
FACILITATE WASTE RECOVERY  
AND MINIMIZE THE AMOUNT OF  
MATERIAL SENT TO LANDFILL IS  
SHARED ACROSS ALL PLANTS

At the plant in Sete Lagoas (Brazil), used fluorescent lamps ready for disposal are now successfully recovered through gas regeneration technology, which reduces both the amount of waste generated (about 500 kilos per year) and the volume of new lamp procurements, with total annual savings of approximately €4,500.

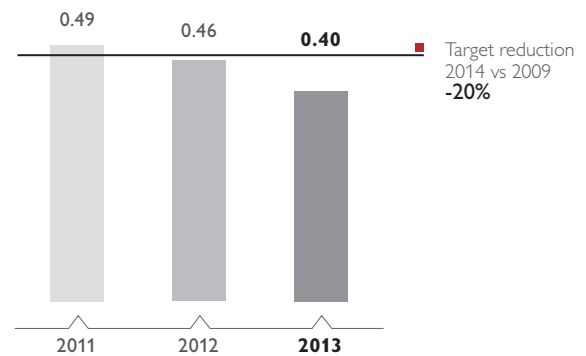
An important activity consists in the recovery by regeneration (rather than disposal) of exhaust solvents deriving from painting processes; this allows reducing both the quantity of waste disposed of and the volume of new solvent procurements. This activity was initiated at a number of plants worldwide, including those in Sorocaba and Piracicaba (Brazil). The Sorocaba plant reported a reduction in exhaust solvent production of almost 2,500 tons per year, with savings of about €12,800.

## HAZARDOUS WASTE GENERATED PER PRODUCTION UNIT

AGRICULTURAL AND CONSTRUCTION EQUIPMENT  
kg/hour of production

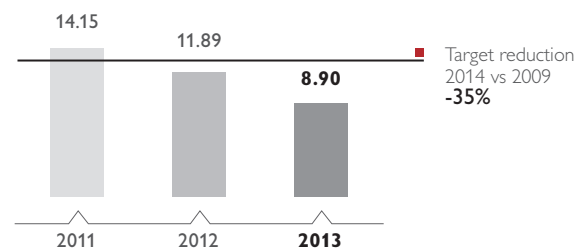


TRUCKS AND COMMERCIAL VEHICLES  
kg/hour of production



CNH INDUSTRIAL FIRMLY  
BELIEVES THAT CARING FOR OUR  
**ENVIRONMENT** AND THE SPECIES  
THAT **LIVE** WITHIN IT IS ESSENTIAL TO  
ENSURING A SUSTAINABLE FUTURE  
FOR OUR **PLANET**

POWERTRAIN  
kg/unit produced



## PROTECTING BIODIVERSITY

Consistently with the provisions stated in the Environmental Guidelines, CNH Industrial is strongly committed to preserving wildlife and biological diversity through the adoption of sustainable development strategies. Activities in this regard have focused on the application of the *Biodiversity Value Index* (BVI) methodology, developed in 2010 with the scientific support of the Department of Life Sciences and Systems Biology of the University of Turin (Italy) and of a professional consultancy firm. The BVI methodology aims at assessing the level of biodiversity in the areas where CNH Industrial plants are located (which are identified based on position and possible proximity to protected areas of particular interest whether for their environmental context or biodiversity), and at identifying possible interventions to improve existing ecosystems. It tackles issues relating to biodiversity through the two-fold evaluation of:

- anthropic pressures (Anthropic Pressure Index - API) generated by industrial, agricultural, urban, and infrastructural activities within the concerned area
- biodiversity (Biodiversity Index - BI), measuring the most common biological indicators of land and aquatic ecosystems.

In this regard, a close partnership was established between the plant in **Curitiba** (Brazil), a city close to a protected area of high natural value (*Parque Passaúna*), and the University of Turin, the University of Paraná and other Brazilian research institutes. The evaluation carried out evidenced a good level of biodiversity, but a high level of anthropic pressure. It also confirmed that the contribution of the plant's activities to global anthropic pressure was marginal and negligible, therefore requiring no environmental or improvement measures. Despite the absence of specific recommendations, the plant decided to carry out an intervention in favor of biodiversity, planting approximately two thousand species of local plants and shrubs within the large green area within its industrial zone.



A similar case occurred at the plant in **Bourbon Lancy** (France), where the application of the BVI methodology evidenced a low level of anthropic pressure and an excellent biodiversity index, as indicated by the presence of numerous protected animal and plant species with high diversity value. Nevertheless, even in this case, the plant decided to implement a series of actions within its perimeter and surrounding area, aiming at further improving biodiversity; these interventions, initiated in 2013, involved the planting of hedges and native shrubs on premises, and measures to contain the *Reynoutria japonica*, a highly invasive plant of Asian origin posing a threat to biodiversity. The hedges foster biodiversity by serving as ecological corridors within the agricultural context and anthropized territory. The overall area subject to containment and eradication interventions measures about 500 m<sup>2</sup>.

In 2013, the plants at **Ulm** (Germany) and **Suzzara** (Italy) completed their assessments of biodiversity indicators. The Ulm plant is located in Baden-Württemberg, an area rich in forests and hills near the border with Bavaria; it is crossed by the Danube River and located in the proximity of four protected areas. The BVI assessment evidenced that the plant is positioned in a zone of low anthropic pressure (API) and intermediate biodiversity index (BI). The Suzzara plant, in the province of Mantua, is located on the right bank of the Po River, and is close to a significant protected area that is part of the *Natura 2000*<sup>(1)</sup> network. The plant's BVI assessment was positive for both anthropic pressures and biodiversity. As in previous cases, after the application of the BVI methodology, the Ulm and Suzzara plants were not required to implement any specific actions for biodiversity recovery, just to maintain the index values measured.

These results confirm the high level of focus CNH Industrial plants place on environmental issues, and demonstrate the effectiveness of environmental policies across the territory, supported by local community awareness of environmental protection.

At present, the method has been implemented at the above-mentioned plants. Over the coming years, the application at plants meeting the necessary criteria will be assessed. Specifically, for 2014, the method will be implemented at the plants in **Foggia** (Italy), **Madrid** (Spain), and **Sete Lagoas** (Brazil).

The plant in **Saskatoon** (Canada) continued to collaborate with local authorities in favor of biodiversity. The study initiated by the two parties enabled identifying plant species subject to protection (such as the *typha angustifolia*). On the basis of this study, in 2013, the municipality initiated the drafting of a policy for the protection and integration of the city's local wetlands.

Lastly, the initiatives in favor of biodiversity launched by the **New Delhi** plant (India), which were paired with staff engagement and awareness, provided for the planting of over one thousand native plants, shrubs and flowers (such as *tinga totanus*, *leucophaeus atricilla*, *gruidae*, etc.) and for the creation of an area on the site serving as a safe haven for migratory birds from Siberia and China.



GRI-G4  
EN11; EN12; EN13



Sustainability Plan  
Our commitments on page 118



Glossary  
Biodiversity

<sup>(1)</sup> *Natura 2000* is the EU's main tool for biodiversity preservation. It is an ecological network encompassing every geographical area of the EU, established under the Habitats Directive 92/43/EEC to ensure the long-term preservation of natural habitats and of threatened or rare flora and fauna across the Community.

PLANTS NEAR, BORDERING OR WITHIN PROTECTED OR HIGH BIODIVERSITY AREAS<sup>(1)</sup>

CNH INDUSTRIAL WORLDWIDE

| Company segment and plant                                    | Type of activity   | Total surface area of plant [m <sup>2</sup> ] | Position in relation to protected area                | Species on IUCN Red List and on national lists [no.]  |
|--|--|---|---|---|
| Agricultural & Construction Equipment<br>■ Curitiba (Brazil) | Production of agricultural equipment                           | 792,824                                       | Adjacent to/containing portions of the protected area | 101 species listed, of which:<br>■ 0 critically endangered<br>■ 0 endangered<br>■ 0 vulnerable<br>■ 4 nearly threatened<br>■ 97 of least concern  |
| Trucks & Commercial Vehicles<br>■ Ulm (Germany)              | Production of industrial vehicles (heavy and special vehicles) | 679,000                                       | Adjacent to the protected area (2,000 m away)         | 153 species listed, of which:<br>■ 0 critically endangered<br>■ 2 endangered<br>■ 1 vulnerable<br>■ 3 nearly threatened<br>■ 147 of least concern |
| Trucks & Commercial Vehicles<br>■ Suzzara (Italy)            | Production of industrial vehicles (light vehicles)             | 520,000                                       | Adjacent to the protected area (4,000 m away)         | 110 species listed, of which:<br>■ 0 critically endangered<br>■ 2 endangered<br>■ 0 vulnerable<br>■ 0 nearly threatened<br>■ 108 of least concern |
| Powertrain<br>■ Bourbon Lancy (France)                       | Production of heavy-duty diesel engines                        | 210,090                                       | Adjacent to the protected area (500 m away)           | 193 species listed, of which:<br>■ 0 critically endangered<br>■ 2 endangered<br>■ 1 vulnerable<br>■ 1 nearly threatened<br>■ 189 of least concern |

<sup>(1)</sup> In all cases where the method was applied, the impact of the plant's operations on biodiversity was negligible; indeed, the contribution to the Anthropic Pressure Index (API) of each of the four plants analyzed is less than 1%. Protected areas (national, regional, site of Community interest, special protection zone, oasis, etc.) are geographically defined areas designated, regulated or managed to achieve specific preservation objectives. Areas of high biodiversity value are not subject to legal protection, but they are recognized by a number of governmental and non-governmental organizations as having significant biodiversity.

## OTHER ENVIRONMENTAL INDICATORS

CNH Industrial also focuses on other indicators, such as the reduction of hazardous substances and of the external noise generated by equipment and manufacturing processes.

As regards PCBs and PCTs, CNH Industrial completed the elimination process of these hazardous substances in 2012.

## Substances of particular relevance to health and the environment

In 2013, CNH Industrial continued to examine the research into and application of alternative solutions to replace the substances used at Company plants identified as particularly relevant to health and the environment. These substances were significantly reduced in all Company processes by reformulating products, and by introducing nano-ceramic products and silane compounds to replace products containing heavy metals. These measures have specifically led to the total elimination of nickel salts in almost every Agricultural and Construction Equipment plant.

## External noise generated by plants

In 2013, CNH Industrial confirmed its commitment to minimizing the impact of the noise emissions generated by its plants, as per the provisions of the Guidelines, according to the procedures of the environmental management systems adopted at plant level, and in line with the specific policies issued in recent years (such as the guideline for the design and purchase of new equipment with lower noise emissions).

## ENERGY MANAGEMENT

Climate change mitigation is one of the major challenges facing the international community today; the approach adopted by CNH Industrial focuses on limiting energy consumption and the use of fossil fuels, which are responsible for air pollution and, above all, CO<sub>2</sub> emissions.

Managing greenhouse gas emissions and optimizing energy consumption are activities that CNH Industrial must embrace to ensure the continuous improvement of its performance and the protection of the local environment in which it operates.

As evidenced by the materiality analysis, the management of energy and air emissions are crucial aspects for CNH Industrial and for its stakeholders. The reasons for this can be sought in the nature and extent of their environmental and economic impact, as well as in the increasing importance the international community places on these issues, closely linked to global warming. In addition, the political, technological and economic implications draw attention to these issues, both in terms of sustainable procurement and impact mitigation.

As stated by the energy policy that forms the framework of every plant's management system, CNH Industrial is committed to reducing the use of fossil fuels in favor of renewable energy sources, energy consumption through more efficient products and processes, and greenhouse gas emissions, not only by cutting energy consumption, but also by adopting innovative technical solutions.

The 2009-2014 Energy Action Plan defines the short and medium term targets for the main actions affecting energy performance, CO<sub>2</sub> emissions, renewable energy, and emissions trading. These targets are incorporated in the Sustainability Plan (see also pages 118-119) and reflect CNH Industrial's voluntary commitment to improving its daily energy performance across all areas of production.

The improvement process is supported by a consolidated energy management system and by the adoption of World Class Manufacturing standards. Both methodologies are applied at every plant to set standards, define energy targets, and carry out evaluation and monitoring processes. Furthermore, the systematic approach of management systems allows continuously monitoring that results achieved are accurately evaluated against stated targets, and subsequently shared through proper communication channels.

In 2013, a total of 7.6% of CNH Industrial's energy spending was invested in improving energy performance, leading to a reduction in energy consumption of over 194 thousand GJ, equal to 12,437 tons of CO<sub>2</sub> emissions saved<sup>1</sup>.

## OUR PROJECTS



### THE GREEN PLANT IN RORTHAIS

In 2013, a feasibility study was carried out for the conversion of the plant in Rorthais (France) into a green building, aiming at reducing its environmental impact by lowering energy consumption and subsequent greenhouse gas emissions, and at training plant personnel on how to save energy.

A plant is defined as green according to a methodology that identifies four key factors: independent energy generation, energy recovery, energy efficiency of the building, and energy efficient technologies.

A preliminary audit enabled the definition of a plant energy profile and the identification of potential areas for improvement, providing a clear picture of the key initiatives to implement, both from a technological point of view and with regards to the incentives available. Solutions put forward for the conversion into a green plant included the construction of a wind turbine, a solar heating system, a heat pump, a Canadian well<sup>2</sup>, an electric vehicle charging station, building insulation using organic coating, LED neon lighting, and rainwater harvesting. The inclusion of several hives in the green spaces surrounding the plant, together with a project for the production of honey, and the installation of outdoor tables and benches ensure that environmental concerns remain a priority.

## RESPONSIBILITY AND ORGANIZATION

The Group Executive Council (GEC) has the highest responsibility for initiatives related to energy efficiency and the management of CO<sub>2</sub> emissions at CNH Industrial.

In 2013, specific targets for environmental impact reduction were incorporated in the Performance and Leadership Management programs (see also page 46) of most of the managers of the projects included in

<sup>(1)</sup> The types of energy included were fuel, electricity, and heating. The energy consumption reduction value was estimated on the basis of the International Performance Measurement and Verification Protocol (IPMVP), volume 1 (January 2012). The CO<sub>2</sub> value includes scope 1 and scope 2 emissions, and was also an estimate.

<sup>(2)</sup> Geothermal system, known as a surface system, serving primarily as a natural air conditioner.



**GRI-G4**  
DMA; EN6; EN19



**Sustainability Plan**  
Our commitments on pages 118-119



**Glossary**  
Audit, DMA, LED, Stakeholders, WCM



the Sustainability Plan: specifically, the targets for energy managers and plant managers were linked to energy efficiency and CO<sub>2</sub> emissions reduction.

At CNH Industrial, a dedicated internal structure is in place to oversee issues related to the conservation of energy resources and to the fight against climate change. Indeed, there is a department responsible for energy management activities, both centrally, through the Manufacturing Engineering Council (MEC) and the Industrial Energy Management Committee, and at plant level.

Activities are coordinated by the Industrial Energy Management committee, consisting of the energy managers of individual segments; this interfaces, on the one hand, with the MEC and the Sustainability Unit and, on the other, directly with the plants. Based on the strategies defined by the GEC, the committee sets out CNH Industrial's guidelines and objectives, together with the MEC, and the best strategies for achieving them; it also oversees the progress of the Energy Action Plan through constant monitoring. A dedicated IT platform allows energy managers to share data reports and energy performance results at all times.

The overall energy management structure is based on a professional team of 79 individuals, located at both corporate sites and plants.

### ENERGY MANAGEMENT SYSTEM

The system developed and implemented by CNH Industrial aims at reducing the energy impact of processes and the risks associated with new legislation and rising energy costs.

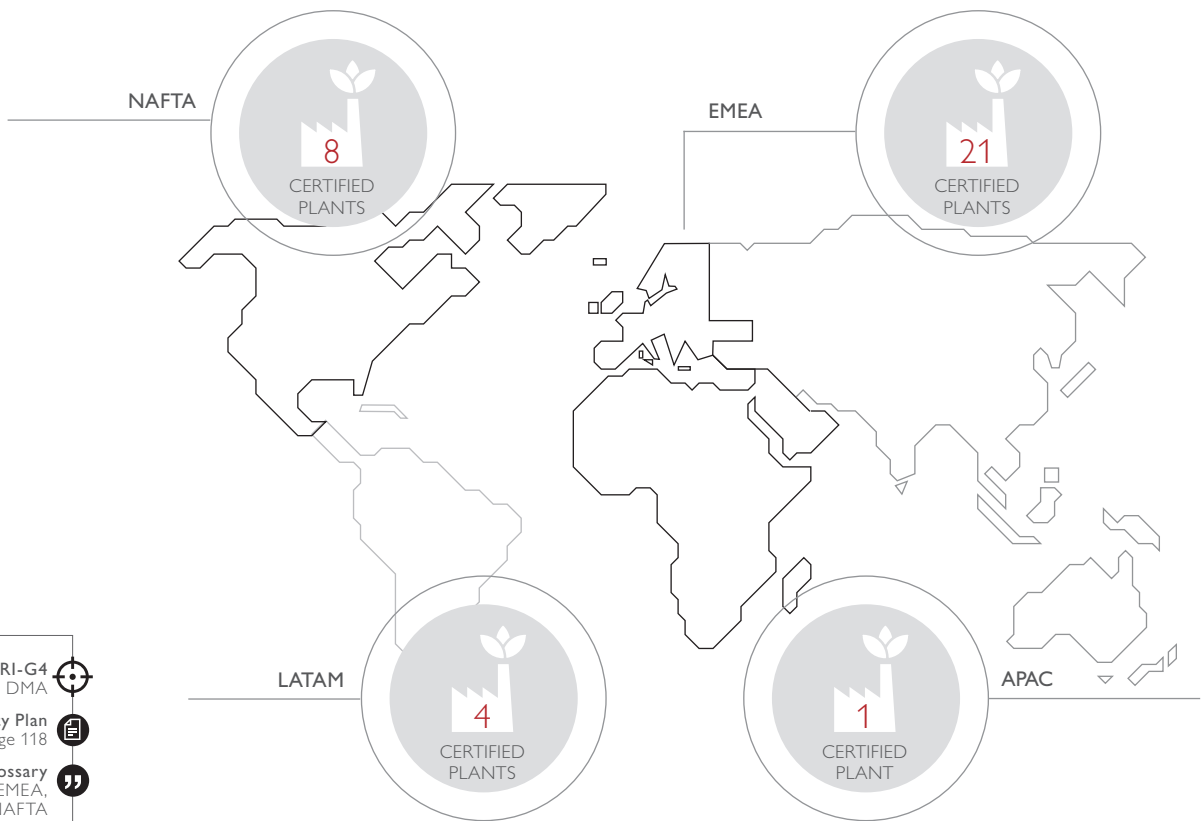
In 2013, as evidence of its quest to reduce its energy impact, CNH Industrial continued to pursue the certification of its manufacturing processes according to the ISO 50001:2011 standard.

The main advantage of the ISO 50001 certification is that it offers a systematic approach in the continuous improvement of energy performance; in other words, a more efficient and rational use of energy, which translates into economic benefits and fewer greenhouse gas emissions.

CNH Industrial's energy management system was rolled out to 34 plants, which represent about 90% of energy consumption, achieving the certification of one plant more than the targets estimated for 2013.



#### ISO 50001 CERTIFIED PLANTS CNH INDUSTRIAL WORLDWIDE



Specifically, the energy management system was extended to the plants in Piacenza and San Mauro Torinese (Italy), Burlington, New Holland and Wichita (USA), Contagem, Curitiba, Sete Lagoas and Sorocaba (Brazil), and Bourbon Lancy and Garchizy (France). CNH Industrial's new target is to continue extending certifications to other plants during 2014, to achieve a coverage of 93% of energy consumption.

Voluntary compliance with the new ISO 50001 standard reflects CNH Industrial's determination to manage the Company sustainably, as recognized globally by the results obtained in the Dow Jones Sustainability Index and the Carbon Disclosure Project (see also page 97).

Furthermore, in 2013, the reporting and monitoring of greenhouse gas (GHG) emissions continued through voluntary compliance with the Corporate Accounting and Reporting Standard of WBCSD<sup>1</sup> and WRI<sup>2</sup> (GHG Protocol) and ISO 14064 standards, covering 100% of CNH Industrial energy consumption.

## OUR PROJECTS



### ENERGIZED TOGETHER

For World Environment Day, CNH Industrial confirmed its commitment to fighting climate change by organizing an awareness-raising and training event on energy, the environment and safety. After the success of Iveco's Energy Day in 2012, the event was revived this year and extended to include CNH Industrial's Environment, Health and Safety experts from the EMEA Region. The workshop, organized by the Industrial Village in Turin (Italy), was an exchange of ideas and practices to make real contributions to energy saving, environmental protection and safety in the workplace. The event also hosted the award ceremony for 2012 Energy Challenge, launched by Iveco last year. The plants in Valladolid (Spain) and Vittorio Veneto (Italy) won the Zero Consumption Trophy and the Green Plant Trophy, respectively. The third prize (the Super Energy Trophy), for the best energy saving idea, went to the energy specialist, from the Vysoke Myto plant (Czech Republic).

Finally, further demonstrating CNH Industrial's commitment to combating climate change, an initiative is already planned to offset the 12 tons of CO<sub>2</sub> generated by participants who traveled to the workshop venue. It will provide for the protection of a 2,300 m<sup>2</sup> area of growing rainforest in Costa Rica, under the Zero Impact® program with the backing of LifeGate. Furthermore, each participant has also become the safekeeper of 50 m<sup>2</sup> of Brazilian rainforest.

## SHARING AND AWARENESS ACTIVITIES

The ongoing promotion of staff involvement and awareness on the importance of energy resource conservation is key to reaching improvement targets. Thanks to a well-established system for collecting suggestions, typical of the World Class Manufacturing methodology, employees can directly contribute to process optimization. The WCM system also allows best practices to be standardized and disseminated across plants, ensuring the kind of synergy that is crucial for the development and continuous improvement of any global company.

In 2013, 5,932 hours of training were provided to 9,945 people, three times the figures of 2012 owing to a significant expansion of the energy management system. Indeed, training courses mainly focused on the distinctive features of the system, compliant to the ISO 50001 standard, and on the proper monitoring and management of energy performance. One of the most important training events, the *EHS & Energy Days*, took place on the 5 and 6 June in Turin (see box above). In addition, an energy conservation awareness campaign, inspired by the *M'illumino di Meno* initiative, was launched in February 2013 with the creation on the corporate intranet of specific interactive energy pills, accessible to all CNH Industrial employees, providing tips on how to save energy in the office through the responsible use of lighting, elevators, and climate control all year round.

GRI-G4  
DMA

Sustainability Plan  
Our commitments on page 118

Glossary  
DMA, EMEA, GHG Protocol,  
ISO 14064, ISO 50001, WCM

<sup>(1)</sup> World Business Council for Sustainable Development.

<sup>(2)</sup> World Resources Institute.

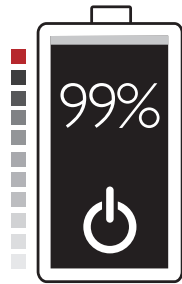
## ENERGY PERFORMANCE

An efficient energy management system depends on the effective monitoring of energy performance, by means of specific Energy Performance Indicators (EnPI).

This system allows CNH Industrial to measure the benefits and effectiveness of ongoing initiatives, plan improvement measures, and establish new and ever-more challenging targets. Energy performance and the achievement of the targets specified in the Action Plan continued to be monitored through the Energy Monitoring & Targeting (EMT) management system, in addition to the comparison of performance levels at the various plants. EMT was extended to 49 CNH Industrial plants, reaching and surpassing the stated target of covering 95% of energy consumption, thanks to the system's full deployment across all Trucks and Commercial Vehicles plants. The target for EMT coverage in 2014 is to reach 100% of energy consumption, demonstrating CNH Industrial's strong commitment to monitoring consumption.

In order to meet the targets set in the 2009-2014 Energy Action Plan, in addition to the monitoring of energy performance, the dialogue and communication between plants was enhanced by adopting a shared IT platform in every segment to identify solutions to energy-related challenges. This led to the identification and implementation of 149 improvement programs, in both technical and management spheres, while increasing individuals' awareness and level of engagement. The methodologies applied to monitor the savings generated by the various initiatives were mainly standardized according to the International Performance Measurement and Verification Protocol (IPMVP), volume 1 (January 2012).

of energy  
consumption  
monitored



During 2013, CNH Industrial implemented the following short to medium-term management and engineering initiatives aimed at reducing energy consumption:

- solar thermal systems for domestic water heating from renewable energy sources
- high-efficiency lighting systems (T5 fluorescent or dimmable LED technology) for production facilities, offices and external areas, combined with dimmers and motion sensors (see box below)
- high-efficiency engines, electric motor inverters and variable speed air compressors;
- detection and repair of compressed air leaks, and implementation of CROV pneumatic transformer in the Powertrain segment (see also page 179)
- intensification of machinery shutdown when idle (see also page 179)
- intelligent stand-by equipment on machining centers and transfer lines
- exhaust gas heat recovery systems or air compressors
- use of radiant panels to optimize heating efficiency in large buildings and management of space heating in workshops through the accurate analysis of energy consumption and temperature
- painting booth air recovery
- building insulation
- hardware and software innovations for metal component processing machines.

## OUR PROJECTS

### LIGHTING SYSTEM RENEWAL IN SASKATOON

During 2013, the lighting system of the plant in Saskatoon (Canada) was completely revamped, replacing the 955 mercury and metal halide lamps with next-generation LED ceiling lights, equipped with presence detectors. This led to a 36% reduction in power requirements (from 471.6 kW to 303 kW). Moreover, the presence sensors mean the estimated working time was reduced from 8,256 to 4,140 hours per year. This improves efficiency, providing the desired illumination when and where it is needed and eliminating waste at the source, as per the principles of World Class Manufacturing. The lighting system is also an improvement from an environmental and occupational safety point of view (it is mercury-free), is more performant (better light quality), and easier and cheaper to maintain, with a useful life of 133 thousand hours as certified by the U.S. Department of Energy, compared to 10-20 thousand hours in the previous system. The result is an annual saving of 1,939,817 kWh, equivalent to about €180 thousand per year; and a reduction of 1,629 tons of CO<sub>2</sub> emissions per year. The plant invested about €735 thousand in the system, but the incentives granted to the project by the electricity provider reduced expenditure to €392 thousand, with a payback period of just over two years.

GRI-G4  
DMA; EN6

Sustainability Plan  
Our commitments on page 118

Glossary  
DMA, Inverter, LED, WCM

Direct and indirect energy consumption, by source, and associated CO<sub>2</sub> emissions continued to be reported throughout 2013. For each source a clear specification of renewable and non-renewable energy sources was indicated. CO<sub>2</sub> emissions were calculated according to the standards set out in the GHG Protocol and incorporated in the Company guidelines, while the indirect emissions from energy production emission factors were quantified according to the standards published in November 2013 by the International Energy Agency.

At CNH Industrial, the only sources of greenhouse gas emissions, besides CO<sub>2</sub> emissions from energy consumption, are associated with the use of HFC substances with global warming potential (GWP) present in air-conditioning, cooling, and manufacturing equipment. Potential emissions from these substances (CO<sub>2</sub> eq) are negligible compared with emissions from energy production: with an incidence of less than 0.5%, these emissions fall outside the reporting scope<sup>1</sup>.

## ENERGY CONSUMPTION

In 2013, CNH Industrial reported a total energy consumption<sup>2</sup> of 8,209 TJ, a 4% increase over the previous year; however, this occurred in parallel with an average 11% increase in hours of production, evidence of the significant contribution made by the efficiency initiatives implemented.

Regarding energy performance, measured as the Company's total internal energy consumption divided by unit value (hours of production for Agricultural and Construction Equipment and Trucks and Commercial Vehicles, and units produced for Powertrain), CNH Industrial closed 2013 with highly satisfactory results thanks to the fall in energy consumption, attributable in part to the energy-saving measures carried out and to more efficient energy use and management.



-5.3% in energy consumption per hour of production

### TOTAL ENERGY CONSUMPTION

CNH INDUSTRIAL WORLDWIDE (GJ)

| Non-renewable sources                                      | 2013             | 2012             | 2011             |
|--|------------------|------------------|------------------|
| Plants   | 54               | 59               | 63               |
| <b>Direct energy consumption</b>                           |                  |                  |                  |
| Natural gas  | 3,662,770        | 3,468,732        | 3,623,116        |
| Coal   | 225,854          | 195,905          | 229,407          |
| Diesel   | 68,237           | 65,242           | 91,670           |
| Liquefied petroleum gas (LPG)                              | 121,039          | 85,083           | 81,061           |
| Other (HS and LS fuel oil)                                 | -                | 7,135            | 10,613           |
| <b>Total</b>   | <b>4,077,900</b> | <b>3,822,097</b> | <b>4,035,867</b> |
| <b>Indirect energy consumption</b>                         |                  |                  |                  |
| Electricity  | 1,839,124        | 1,932,457        | 2,194,242        |
| Thermal energy   | 854,693          | 860,121          | 981,879          |
| Other energy sources                                       | 112,804          | 104,991          | 134,073          |
| <b>Total</b>   | <b>2,806,621</b> | <b>2,897,569</b> | <b>3,310,194</b> |
| <b>Total energy consumption from non-renewable sources</b> | <b>6,884,521</b> | <b>6,719,666</b> | <b>7,346,061</b> |
| <b>Renewable sources</b>                                   | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
| Plants   | 54               | 59               | 63               |
| <b>Direct energy consumption</b>                           |                  |                  |                  |
| Biomass  | 36,396           | 61,032           | 63,979           |
| Solar-thermal  | 275              | 100              | -                |
| <b>Total</b>   | <b>36,671</b>    | <b>61,132</b>    | <b>63,979</b>    |
| <b>Indirect energy consumption</b>                         |                  |                  |                  |
| Electricity  | 1,193,823        | 985,694          | 895,885          |
| Thermal energy   | 94,087           | 73,547           | 81,034           |
| <b>Total</b>   | <b>1,287,910</b> | <b>1,059,241</b> | <b>976,919</b>   |
| <b>Total energy consumption from renewable sources</b>     | <b>1,324,581</b> | <b>1,120,373</b> | <b>1,040,898</b> |
| <b>Total energy consumption</b>                            | <b>8,209,102</b> | <b>7,840,039</b> | <b>8,386,959</b> |



GRI-G4  
DMA; EN3; EN15, EN16



Sustainability Plan  
Our commitments on page 118



Glossary  
CO<sub>2</sub> eq, DMA, GHG Protocol, GWP, HFCs, Indirect emission

<sup>(1)</sup> The reporting scope is explained in the chapter Report Parameters (see also pages 210-211).

<sup>(2)</sup> The types of energy included are: electricity, heat, steam, cooling, natural gas, coking coal, diesel and other fuels.

## ENERGY CONSUMPTION BY ENERGY TYPE

CNH INDUSTRIAL WORLDWIDE (GJ)

|                          | 2013      | 2012      | 2011      |
|--------------------------|-----------|-----------|-----------|
| Plants                   | 54        | 59        | 63        |
| Electricity <sup>1</sup> | 3,056,505 | 2,937,193 | 3,109,919 |
| Heat                     | 949,055   | 933,768   | 1,062,913 |
| Coking coal              | 89,247    | 85,949    | 114,281   |
| Steam <sup>2</sup>       | -         | -         | -         |

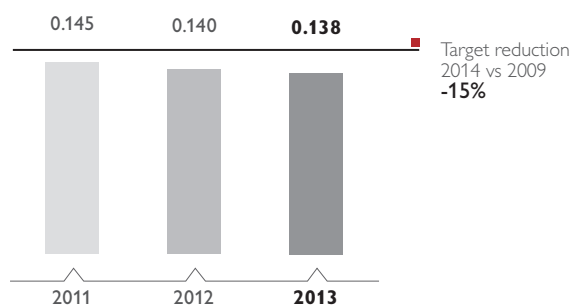
<sup>(1)</sup> Electricity also includes compressed air.<sup>(2)</sup> Steam is included in heat.

Annual global performance (in terms of energy consumption per unit of production) in the Agricultural and Construction Equipment segment fell by 22% compared with 2009<sup>3</sup>, while for Trucks and Commercial Vehicles it fell by 41%. For Powertrain, energy consumption per production unit was down 27% compared with 2009 for the small cylinder engines and transmission division, and down 24% for the large cylinder engine division. For the sake of consistency when describing CNH Industrial's performance, notwithstanding the variety of Company product lines (vehicles, engines, components, etc.), KPIs were standardized: in 2013 the energy performance within the organization was 0.1505 GJ per hour of production, a drop of more than 5% over the previous year. CNH Industrial does not sell energy.

ENERGY CONSUMPTION PER PRODUCTION UNIT<sup>4</sup>

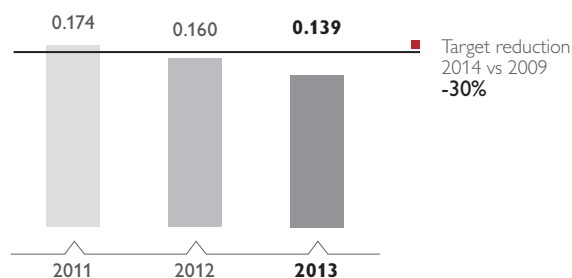
## AGRICULTURAL AND CONSTRUCTION EQUIPMENT

GJ/hour of production



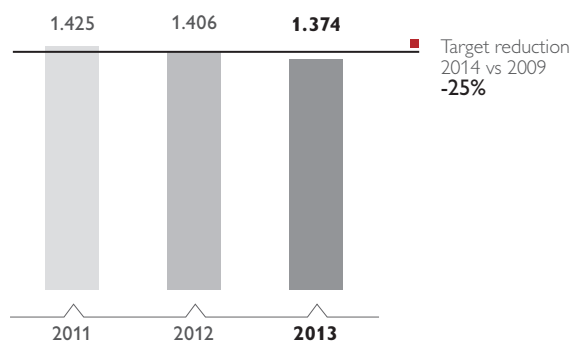
## TRUCKS AND COMMERCIAL VEHICLES

GJ/hour of production



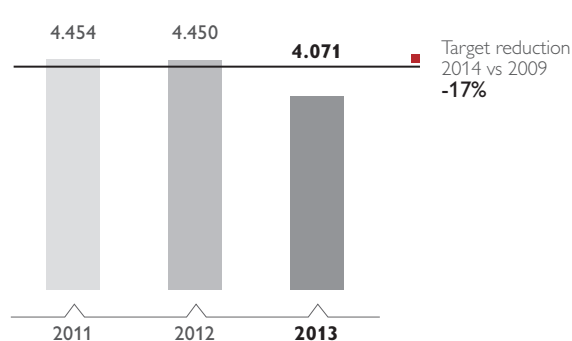
## POWERTRAIN (SMALL ENGINES AND TRANSMISSIONS)

GJ/unit produced



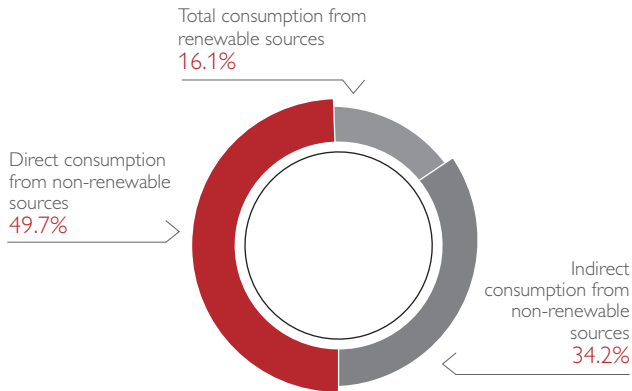
## POWERTRAIN (LARGE ENGINES)

GJ/unit produced

GRI-G4  
EN3; EN5Sustainability Plan  
Our commitments on page 118Glossary  
KPI<sup>(3)</sup> 2009 was chosen as the base year for the 2010-2014 global planning, in line with the business plan.<sup>(4)</sup> The types of energy included are: electricity, heat, steam, cooling, natural gas, coking coal, diesel and other fuels.

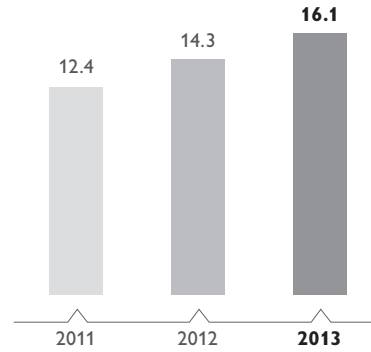
## ENERGY CONSUMPTION BY SOURCE

CNH INDUSTRIAL WORLDWIDE



## TOTAL ENERGY CONSUMPTION FROM RENEWABLE SOURCES

CNH INDUSTRIAL WORLDWIDE (%)



## CO<sub>2</sub> EMISSIONS

CNH Industrial's CO<sub>2</sub> emissions were about 537 thousand tons, similar to last year, despite a slight increase in energy consumption. This value was due to the greater share of renewable energy in CNH Industrial's energy mix.

### DIRECT AND INDIRECT CO<sub>2</sub> EMISSIONS<sup>1</sup>

CNH INDUSTRIAL WORLDWIDE (thousands of tons)

|                                       | 2013           | 2012 <sup>2</sup> | 2011           |
|---------------------------------------|----------------|-------------------|----------------|
| Plants                                | 54             | 59                | 63             |
| Direct emissions (scope 1)            | 226,748        | 212,833           | 229,360        |
| Indirect emissions (scope 2)          | 308,210        | 318,288           | 370,402        |
| Direct emission from landfill gas     | 1,987          | 3,332             | n.a.           |
| <b>Total CO<sub>2</sub> emissions</b> | <b>536,945</b> | <b>534,453</b>    | <b>599,762</b> |

<sup>(1)</sup> CO<sub>2</sub> is the only greenhouse gas significant to CNH Industrial's processes (see also page 175).

CNH Industrial considers biogenic CO<sub>2</sub> emissions to be those released by landfill gases combustion.

2009 was chosen as the base year for the 2010-2014 global planning, in line with the business plan. Direct CO<sub>2</sub> emissions in 2009 were 199,545 tons.

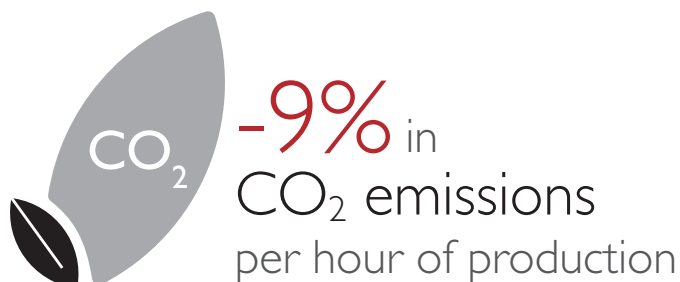
Indirect CO<sub>2</sub> emissions in 2009 were 346,158 tons.

There were no significant changes in emissions that triggered the recalculation of base year emissions.

The approach used to consolidate GHG emissions reporting is operational control.

For methodologies and emission factors used, see also page 213.

<sup>(2)</sup> The data for 2012 have been adjusted compared with those in 2012 Sustainability Report.



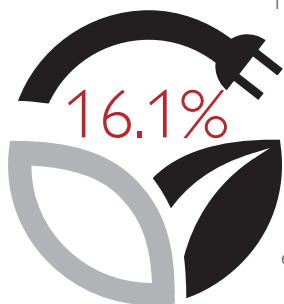
GRI-G4  
EN15; EN16



Sustainability Plan  
Our commitments on page 118



Glossary  
Direct emissions, Indirect emissions



of energy from  
renewable sources

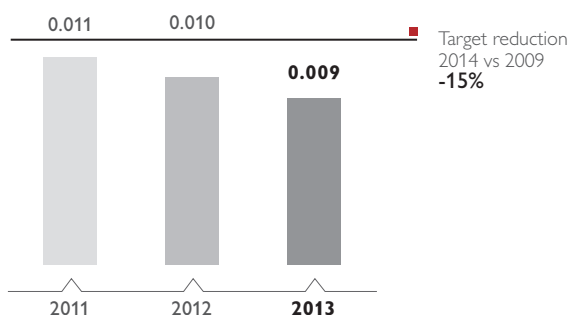
The improvement in CO<sub>2</sub> performance<sup>1</sup> per production unit with respect to 2009 was, for each segment: 32% for Agricultural and Construction Equipment; 51% for Trucks and Commercial Vehicles; 47% for the Powertrain small cylinder engines and transmissions; and 40% for large cylinder engines. In 2013, the KPI standardized across the Company was 0.0098 tons per hour of production, a drop of 9% over the previous year.

Such significant results were mainly due to a reduction in energy consumption per unit value, but also to a greater use of renewable energy sources, which reached 16.1% of the total energy consumed by CNH Industrial in 2013, exceeding the 14% target set for 2013. The reduction in emissions due to the increased use of renewable energy was equivalent to 87 thousand tons of CO<sub>2</sub>.

## CO<sub>2</sub> EMISSIONS PER PRODUCTION UNIT<sup>1</sup>

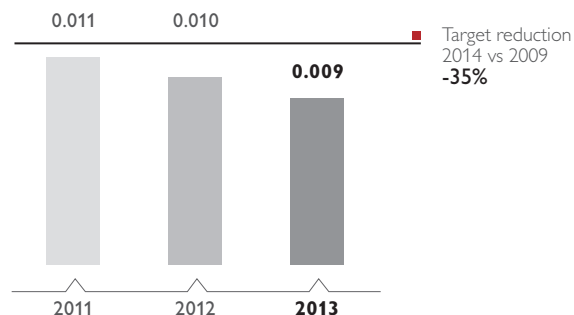
### AGRICULTURAL AND CONSTRUCTION EQUIPMENT

tons of CO<sub>2</sub>/hour of production



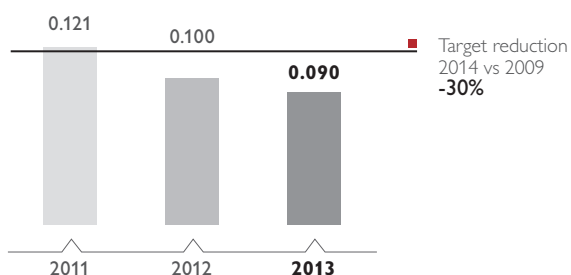
### TRUCKS AND COMMERCIAL VEHICLES

tons of CO<sub>2</sub>/hour of production



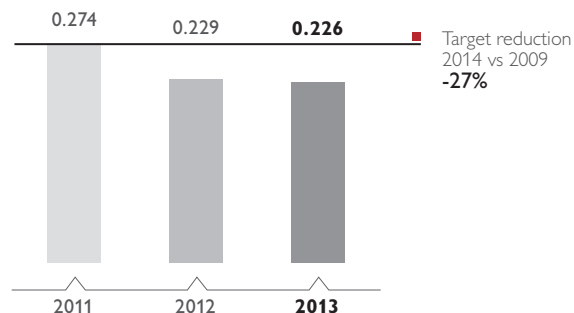
### POWERTRAIN (SMALL ENGINES AND TRANSMISSIONS)

tons of CO<sub>2</sub>/unit produced



### POWERTRAIN (LARGE ENGINES)

tons of CO<sub>2</sub>/unit produced



<sup>(1)</sup> CO<sub>2</sub> is the only greenhouse gas significant to CNH Industrial's processes (see also page 175). 2009 was chosen as the base year for the 2010-2014 global planning, in line with the business plan. The indicator includes Scope 1 and Scope 2 emissions.

## OUR PROJECTS



### ENVIRONMENTAL MANAGEMENT OF TOUCH-UP SPRAY BOOTH AT SUZZARA

One of the noteworthy projects for 2013 involved the paint department at the plant in Suzzara (Italy), which aimed at reducing the operation times of the Air Handling Unit (AHU) of the touch-up spray booth, limiting operation to the periods of use (eight hours per day), taking account of the time required to power on and off. Through this environmentally friendly approach, the AHU is powered to maximum capacity by the operator, and for a predefined period. At the end of this period, the AHU is brought to below maximum capacity, unless a new request is made by the operator. To ensure the correct use of the system and of the specially designed control panel, a training course was provided for both the touch-up booth operators and painting department maintenance personnel.

The project led to savings of over €60 thousand, due to the reduction in energy consumption (50%) for air treatment and lighting. The payback time is estimated at one year.

### PARTICIPATION IN EMISSION TRADING PROGRAMS

The energy used at CNH Industrial plants comes primarily from third-party power generation plants or directly from the national electricity grid. The plant in Vysoke Myto (Czech Republic) is the only one subject to the European system of *emission trading* (EU-ETS). 2013 marked the start of the third phase of the ETS, which sets a single emission cap for the whole of the European Union, a limit that will decrease linearly over time, even after the end of the third trading period (2013-2020). The energy generated in 2013 by the plant was approx. 90 thousand GJ, putting the plant in debt with regards to its CO<sub>2</sub> emission allowance for that year, acquiring the necessary credits.

The only CNH Industrial site subject to the CRC (Carbon Reduction Commitment) Energy Efficiency Scheme, i.e., the emission trading system present in the United Kingdom, is the plant in Basildon, one of the most energy-consuming in Europe. For the second year running, the site renewed its participation in the reporting and evaluation system (CRC - Performance League Table) in 2013, acquiring the necessary credits to offset its CO<sub>2</sub> allowances.

## OUR PROJECTS



### SUCCESSFUL ENERGY RECOVERY AT TURIN ENGINE PLANT

Of particular interest is the CROV pneumatic transformer project at the Engine plant in Turin (Italy). The technology, now patented worldwide, is based on the principle of reducing lamination, responsible for the energy consumption of a fluid. The compressed air is in fact produced by the compressors and stored at a pressure of 8-12 bar, while operating pressure is 4-6 bar. This causes pressure jumps within the pneumatic network, where the excess energy is dissipated in the form of heat, due to the phenomenon of lamination. The CROV pneumatic transformer uses this excess energy to draw air from outside, recompressing and reusing it. This enables significant savings on the energy required by air compressors.

Monitoring activities showed energy savings of 89%, equivalent to 422 GJ/year. The investment of about €24 thousand led to economic benefits worth €15 thousand, with a payback period of a little over a year and a half. Following the first phase in 2013, a second one will be developed in 2014 to apply this technology to the second of two loops of the assembly line.



GRI-G4  
EN6



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Glossary  
Emission trading



## PURE RISK MANAGEMENT

CNH Industrial strongly believes in risk management and loss prevention, aimed at avoiding property damage and any resulting interruptions to business operations.

CNH Industrial's Pure Risk Management Policy<sup>1</sup> is based on four fundamental pillars:

- implementing measures that prevent accidents or limit their effect
- adopting the highest international reference standards for the prevention of risks to property
- minimizing the cost of risks by optimizing prevention/protection investments, self-insurance, and risk transfer programs
- centralizing relationships with domestic and international insurance markets.

The pure risk management process is subdivided into five stages:

- identification of risks, areas, processes and key activities
- quantification of the probability of occurrence of incidents and subsequent potential economic impact, calculated on the basis of direct damage and interruption of Company activities
- risk analysis using mapping and benchmarking tools, to identify operational priorities based on cost/benefit ratios
- implementation of risk management measures designed to reduce the probability of incidents, control their effects, and minimize their economic impact
- constant monitoring of risk levels within existing operational units and for new projects.

The overall risk management process is carried out by a dedicated center of competence, supported by a consulting company specialized in industrial risks whose field audits ensure an in-depth, continuous, and objective assessment of risk levels across the entire Company.



**€9.1 million**  
invested in prevention  
and mitigation measures

In 2013, this process involved 49 plants (covering approximately 62% of CNH Industrial insured value<sup>2</sup>) and 178 new projects, in line with international prevention standards.

During the year, the Company invested around €9.1 million<sup>3</sup> in prevention and mitigation measures, saving approximately €1.05 billion in potential losses, with a global efficiency index of 0.86<sup>4</sup>, in line with the highest international standards.

The synergy between the Company's strategic approach to loss prevention and corporate Risk Management, which focuses on developing forward-looking engineering solutions to risk, has proven to be a key element of the Company's overall sustainability approach, as demonstrated by specific projects that highlight the contribution of risk management in addressing climate change issues.



<sup>(1)</sup> Pure risks are risks resulting from natural causes or accidental or malicious acts that may result not only in damage to goods or facilities, but also lead to a short or long-term interruption of operations.

<sup>(2)</sup> Calculation based on replacement value of property insured and cost associated with interruption of activity.

<sup>(3)</sup> Figures relate to the period from 1 July 2012 to 30 June 2013 (Insurance Year).

<sup>(4)</sup> In the management of major industrial risks, efficiency indices equal to or less than 1 are considered "a best practice", and are equivalent to an investment of €1 to eliminate a potential loss of €100.

The Company is currently working on the following key projects:

New approach to **insurable environmental** risks; Risk Management teamed up with the Environment, Health & Safety (EH&S) Department to develop an innovative risk management methodology to:

- obtain objective and quantifiable information on insurable environmental exposures
- improve risk profiles according to the Company EH&S strategy
- understand and clearly communicate priorities and benefits
- effectively inform the insurance market about the loss prevention activities in place to prevent and mitigate potential environmental losses
- obtain environmental insurance coverage in line with corporate strategies, commensurate with risk exposures and current loss prevention activities.

The methodology is scientifically-based and avails itself of certified self-assessment tools; already used in 2012 to assess and analyze 46% of CNH Industrial total insured value, it led to the development of the Company's first environmental maps quantifying the overall levels of risk.

The self-assessment data is verified and validated by specialized environmental risk engineers sent by each regional EH&S department at a selected number of representative sites. The field visit campaign started in the second half of 2013, and will continue in 2014.

The new methodology and its outcomes – the accurate identification, quantification and management of environmental risks – were very well received by the insurance market, and have significantly affected CNH Industrial's risk category assignment.

**Earthquake** risk reengineering; in 2011, a workgroup consisting of Risk Management, a leading insurance company, and Naples University launched a three year research project to develop a scientific earthquake risk evaluation process. This quantitative analysis takes into account the combination of hazard, structure vulnerability, and exposure/exposed values, and is based on multiple data sources.

Seismic risk measurements:

- relative, mainly for prioritization purposes - Level 1
- absolute, based on fragility curve analyses from literature - Level 2a
- absolute, based on analysis of fragility curve computations - Level 2b

The goal of the earthquake risk evaluation process is to assess, quantify, and proactively manage the seismic risks that manufacturing plants are exposed to. It has allowed CNH Industrial to classify and prioritize plants, identifying those in need of further appraisal and/or analysis.

**Climate change** potential impacts analysis; this project was launched to evaluate potential new risks posed by climate change, with three goals in mind:

- raise awareness within the entire organization about the new potential risks posed by climate change
- explain the nature of the risks associated with climate change
- verify that all existing and new risk management processes take climate change into consideration

One methodology in particular is being developed in the scope of the **rainwater** project, which focuses on the potential rainwater risk to plants based on the gap analysis of their initial construction design data compared to current design data according to occupancy and latitude (as per internationally recognized construction standards).

This analysis will allow to:

- identify "relevant" data about plants' rain disposal networks
- create an *ad hoc* form to compile and report key data
- develop a methodology to identify and extract current design data based on specific occupancy and latitude
- develop specific gap analysis software (to compare construction design data with current design data)
- identify intervention priorities based on both the gap and values at risk.





# LOGISTICS PROCESSES



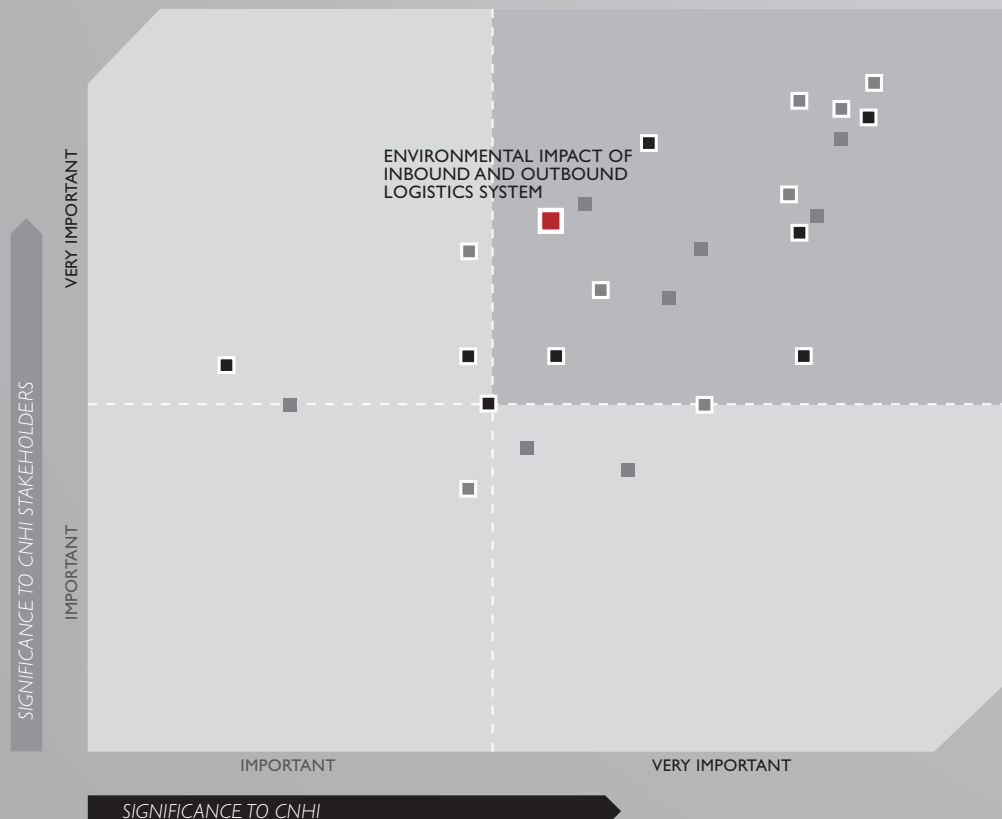
SUPPLIERS • ENVIRONMENT



DMA; EN30



-2,260  
tons of CO<sub>2</sub> emissions in Europe



THE COMPANY'S MAIN  
IMPROVEMENT TARGETS FOCUS  
ON REDUCING CO<sub>2</sub> EMISSIONS  
ASSOCIATED WITH THE HANDLING  
OF FINISHED COMPONENTS AND  
PRODUCTS, AND ON MINIMIZING  
THE USE OF NON-REUSABLE  
PACKAGING MATERIALS

When managing logistics processes, CNH Industrial is unrelenting in its search for sustainable solutions to combat climate change, preserve natural resources, and safeguard health.

The Company manages its improvement efforts related to logistics through the Green Logistics Principles, published by Fiat Industrial in 2011, and adopted by CNH Industrial in September 2013 by resolution of the Board of Directors. These principles, available on the Corporate website, are designed to coordinate all Company initiatives, and to support different corporate functions in performing effectively, in collaboration with suppliers, to ensure indicators are continuously monitored and that targets are met.

CNH Industrial's approach focuses on four areas:

- increasing low-emission transport
- minimizing non-reusable packaging and protective materials
- adopting intermodal solutions
- optimizing transport capacity.

Engaging suppliers is an integral aspect of this course of action, as their active involvement is key to achieving an effective, sustainable logistics system. This commitment became evident when a number of logistics suppliers participated in the *Carbon Disclosure Project Supply Chain* (see also page 153), aimed at monitoring the CO<sub>2</sub> emissions of a few selected suppliers and at promoting initiatives to reduce them, including through joint ventures and partnerships. The *Carbon Disclosure Project Supply Chain* will continue in 2014, involving more suppliers.

This approach testifies the importance of sustainable logistics within CNH Industrial's materiality matrix; the issue is of increasing interest for stakeholders too, owing to the economic, environmental, and social implications involved. In fact, sustainable logistics are considered important because of their impact on cost optimization, on the reduction of emissions, on the use of resources and management of packaging, and because of their indirect effect on employee health and traffic congestion.

The Company's main improvement targets focus on reducing CO<sub>2</sub> emissions associated with the handling of finished components and products, and on minimizing the use of non-reusable packaging materials. These targets are all set voluntarily and included in the Sustainability Plan (see also pages 119-120). Targets are evaluated twice a year to monitor progress toward their achievement and, if necessary, to adopt corrective measures. Results are shared annually through the Sustainability Report and the Corporate website.

The logistics system is managed according to *World Class Logistics* (WCL) standards that, based on the World Class Manufacturing (WCM) program, define the integrated logistics processes affecting plants and supplier network planning, while pursuing safety, ergonomics, eco-compatibility, and transport flow optimization. WCL standards allow for lean processes both inside and outside plants, involving all employees in the improvement processes. With the active participation of all parties, stock quantities are significantly reduced, production volumes and mix are evened out, and logistical know-how at plants is enhanced. Another significant aspect of WCL is the systematic reduction of both internal and external handling, deriving from the integration of the production and distribution networks. This approach ensures management effectiveness, and that projects are evaluated according to defined standards. Through *World Class Logistics*, CNH Industrial shares and spreads its best practices, tried and tested across all plants, to improve process management through up-to-date internal benchmarking.

All of the projects indicated in the 2013 Sustainability Plan were incorporated in the Performance and Leadership Management system, among the individual targets of the managers involved (see also page 46).



GRI-G4  
DMA



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Glossary  
DMA, Ergonomics,  
Stakeholders, WCM

The Group Executive Council (GEC) has the highest responsibility for initiatives focusing on the reduction of the environmental impact of logistics systems at CNH Industrial. For issues related to business travel see page 65.

## MONITORING OF ENVIRONMENTAL PERFORMANCE

Operatively speaking, the inbound flow (i.e., the transport of production components and materials to Company plants) is handled either by external transport providers engaged by the Company or directly by material suppliers, while the outbound flow (i.e., the distribution of finished goods from plants to the sales network) is handled by external transport providers.

Spare parts are managed by CNH Industrial Parts & Services. Their inbound flow (to warehouses and distribution centers) is handled either by external providers engaged by CNH Industrial or directly by the suppliers. Their outbound distribution (including to dealerships) is handled by: specialized transport companies in the case of Agricultural and Construction Equipment; external companies coordinated by a logistics operator in the case of Trucks and Commercial Vehicles; and external providers engaged by the Company in the case of the Powertrain segment.

In 2013, some of the environmental aspects considered most significant<sup>1</sup> to logistics processes continued to be monitored in order to substantiate the targets included in the Sustainability Plan and the improvement projects that followed.



tons of inbound and outbound  
**CO<sub>2</sub> emissions** in Europe

The significance of the environmental impact of CO<sub>2</sub> emissions is affected by: the number of inbound/outbound transport flows generating the impact; CNH Industrial's ability to promote mitigation activities among suppliers (e.g., the inclusion of contractual clauses); the initiatives implemented to reduce the impact (e.g., the adoption of intermodal solutions); and the impact's potential effects on the community (e.g., traffic congestion related to plant location).

In 2013, the worldwide monitoring of CO<sub>2</sub> emissions was completed for both the Agricultural and Construction Equipment and Powertrain segments, adding up to 327 thousand tons of CO<sub>2</sub> in total (Europe excluded); monitoring activities for Trucks and Commercial Vehicles in Latin America and Australia will be completed in 2014.

In 2013, anticipating one of the goals envisaged by the Sustainability Plan, the Agricultural and Construction Equipment segment extended the monitoring of CO<sub>2</sub> emissions associated with air transport to all of its plants worldwide, for a total of 47.3 thousand tons of CO<sub>2</sub>. In 2014, the same monitoring will be extended to two additional business segments. The inbound and outbound CO<sub>2</sub> reduction achieved in Europe was 2,260 tons, i.e., more than the target set for 2013 (1,710 tons). This figure corresponds to the emissions savings associated with the improvement projects implemented in 2013. CNH Industrial has set an equally challenging target for 2014 of 1,580 tons.

GRI-G4  
DMA; EN30

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DMA

<sup>(1)</sup> The assessment criteria used to measure the significance of the environmental aspects of logistics processes are related to the entity of the impact, and to the Company's ability to manage and mitigate both the impact and its potential effects on the surrounding environment.

## CO<sub>2</sub> EMISSIONS IN LOGISTICS PROCESSES<sup>1</sup>

CNH INDUSTRIAL EUROPE (thousands of tons)

|              | 2013         | 2012         | 2011         |
|--------------|--------------|--------------|--------------|
| Inbound      | 71.6         | 75.5         | 65.6         |
| Outbound     | 50.1         | 47.2         | 54.8         |
| Spare parts  | 12.8         | 7.9          | 5.2          |
| <b>Total</b> | <b>134.5</b> | <b>130.6</b> | <b>125.6</b> |

<sup>(1)</sup> CO<sub>2</sub> emissions have been quantified as per the Greenhouse Gas (GHG) Protocol, revised edition, for road transport and the IFEU Heidelberg methodology for environmental calculations for sea and rail transport.

The increase in CO<sub>2</sub> emissions is due to the extended reporting scope (in line with the targets stated in the Sustainability Plan) and the moving of the production hub.

The management of the environmental aspects associated with logistics also aims at reducing non-reusable packaging and protective materials, according to corporate standards and quality requirements. Where this is not possible, CNH Industrial seeks the best solutions to ensure the recovery of materials. Although this aspect may be less significant than atmospheric emissions, a monitoring process was started to create a reliable database to develop future improvement plans.



Material recovery processes are the solution of choice within the Trucks and Commercial Vehicles segment, where activities aiming at optimizing packaging for shipments to Latin America continued in 2013.

This led to a decreased use of wood crates (-5% compared with 2012, from 10.8 to 10.3 kilos of wood packaging per m<sup>3</sup> shipped) and to a reduction of approximately 147 tons in wood shipped.

The Powertrain segment, included in the scope of the World Material Flow (WMF) program in 2013, also began to pursue a progressive reduction of non-reusable packaging for shipments from Italy to plants in Latin America in favor of metal crates, setting a wooden crate reduction target of 35% for 2014. In 2013, the Agricultural and Construction Equipment segment continued to monitor the quantity of cardboard and wood used to consolidate the shipments of materials by sea to plants in North and South America within the scope of the WMF program.

CNH Industrial continued to monitor the disposal of cardboard packaging in European plants, reporting an average of 7.43 kilos of cardboard disposed of per unit produced. Furthermore, the Powertrain segment ended 2013 with an average of six kilos of wood disposed of per unit produced.



GRI-G4  
DMA; EN30



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Glossary  
DMA, GHG Protocol

## INCREASE IN LOW-EMISSION TRANSPORT

CNH Industrial continues to promote the use of low-emission vehicles to reduce CO<sub>2</sub> emissions associated with the transportation of components and goods. During 2013, all segments gradually introduced specific environmental contractual clauses obliging external transport providers to utilize fleets in which at least 70% of vehicles comply with Euro IV standards or higher. Preempting its own objective, the Powertrain segment has begun to introduce clauses stipulating a fleet with at least 75% of vehicles compliant to Euro IV or higher, with the other two segments to follow suit in 2014.

In 2013, vehicle emission standards continued to be monitored for a sizable sample of material and component suppliers; this will enable extending to outsourced transportation the same emission standards applied to transport directly managed by CNH Industrial. In 2013, 93% of all vehicles used for inbound and outbound transport in the Agricultural and Construction Equipment and Trucks and Commercial Vehicles segments in Europe conformed to Euro III standards or higher.

In North America, the Agricultural and Construction Equipment segment continued to engage its logistics partners in the SmartWay Transport program, an Environmental Protection Agency (EPA) initiative; participation in the program is a factor in evaluating potential suppliers. In 2013, 91.6% of service providers (rail and road transport) participated in the Smart Way program.



of vehicles compliant with Euro III standards or higher

## USE OF INTERMODAL SOLUTIONS

Inbound and outbound transport can generate significant levels of road traffic, depending on geographical features, infrastructures and production volumes. CNH Industrial has always strived to promote alternative methods of transport (by rail and/or sea) using intermodal solutions, with the aim of reducing traffic congestion and lowering CO<sub>2</sub> emissions. Intermodal solutions take a holistic view of transportation services, treating them as an integrated logistics chain and employing a variety of solutions for the movement of goods from source to destination.

The *Freccia Gialla*, a combined inbound and outbound biweekly rail service launched in July 2012 at the Lecce plant (Italy), cut CO<sub>2</sub> emissions in 2013 by 1,350 tons.

From July 2013, with the Trucks and Commercial Vehicles segment directly managing inbound transport, intermodal solutions were found by exploiting the existing shipping connections between Italy and Spain. This initiative reduced CO<sub>2</sub> emissions by 1,151 tons.



In line with the 2013 Sustainability Plan, the Powertrain segment achieved its target of reducing CO<sub>2</sub> emissions by launching its first regular inbound rail transport service to the Foggia plant (Italy). There are plans to extend railway use in 2014 by adding suppliers in Central Europe to the existing transportation network, and by launching the first intercontinental railway connection from China to the plant in Bourbon Lancy (France). This initiative is expected to reduce total CO<sub>2</sub> emissions by 480 tons.

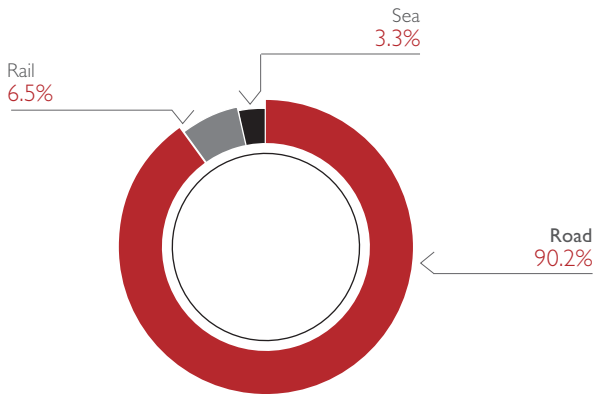
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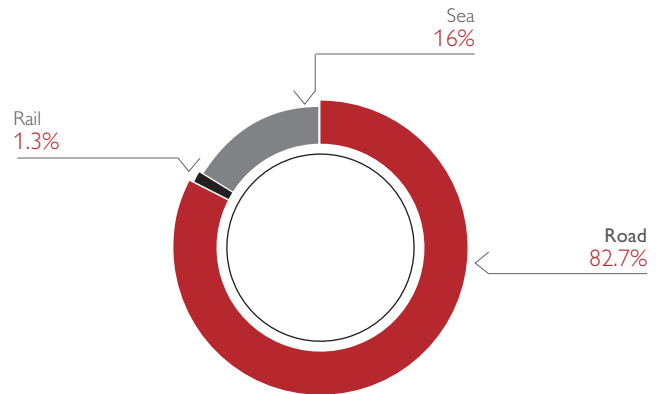
## BREAKDOWN OF INBOUND TRANSPORT

CNH INDUSTRIAL EUROPE



## BREAKDOWN OF OUTBOUND TRANSPORT<sup>(1)</sup>

CNH INDUSTRIAL EUROPE



<sup>(1)</sup> Percentages refer to Agricultural and Construction Equipment and Trucks and Commercial Vehicles segments, and are based on the principal mode of transportation used for each vehicle.

## OPTIMIZING TRANSPORT CAPACITY

Optimizing transport capacity is one method CNH Industrial employs to reduce the costs and environmental impact of transportation. *Streamlined Delivery* is one of the projects launched to realize this objective, outsourcing the collection of materials destined for CNH Industrial plants to a pool of logistics providers, replacing delivery by individual suppliers through dedicated transportation services.

The estimated coverage was achieved in the Agricultural and Construction Equipment and Trucks and Commercial Vehicles segments. In 2011, the project was also launched within the Powertrain segment, reaching a coverage of 25% in 2012. Other plants will join the *Streamlined Delivery* project in 2014, and targets will be readjusted according to future volumes.

## OUR PROJECTS

### CNH INDUSTRIAL PARTS AND SERVICES RESEARCH ACTIVITIES

In 2013, CNH Industrial Parts and Services Europe started a collaborative study with the Warehousing Center of Bologna University focusing on the analysis, optimization, and strategic planning of warehouse activities. This €36 thousand study, using IT tools supplied by Bologna University, offered a number of insights into possible improvements to machinery, equipment, procedures, staff management and energy savings. In 2014, a first strategic project will be launched aiming to save an estimated €180 thousand per year in warehouse handling costs. During this collaboration, the Company gave four students the opportunity to complete an internship, working side by side with three corporate tutors (namely the Quality, Outbound and Inbound Managers, responsible for a team of almost two hundred people), for a total of six hundred hours of training each. They were requested to write their dissertations on targeted operational aspects and issues, identifying improvement plans and innovative solutions sustainable over time. One of the students, for example, developed a stock picking improvement plan that will save around €40 thousand per year in operational costs. Internships have also proven useful in identifying talent pools of prospective highly qualified professionals who already possess an understanding of the values of CNH Industrial. The program, whose first phase will end in January 2014, will respond to a challenge: to establish a new spirit of collaboration between University and Company, potentially extending to all plants in the EMEA Region.



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DMA, EMEA





# SALES AND POST-SALES



CUSTOMER • DEALER



DMA; PR3-PR5



190 thousand  
customer contacts



### Customer relations

All the work that goes into designing products of excellence is brought to fruition in the phases of sales and post-sales assistance. The objective is to establish a relationship of trust with customers, first enabling them to choose the best product to meet their needs, and then to carry out their work as effectively and with as few stoppages as possible.

From the materiality analysis, customer relations emerged as important with regard to various aspects, above all concerning the management of product quality assurance. This aspect involves the product development stage (see also pages 132-135) and the post-sales phase. In the latter, the ability to respond quickly and resolve product defects is essential for the Company to build trust and customer loyalty. For customers, minimizing the risk of downtime is crucial.

Next in importance is the ability to manage customer relations across the board, ranging from the Company's accessibility regarding requests for information and problem reporting, to the ability to provide clear answers as quickly as possible. This phase is also important in laying the foundations for future success by gaining an understanding of the degree of customer satisfaction, and, based on feedback and suggestions received, enabling changes to be made to existing product ranges, and new product lines to be developed that meet future market needs. For the Company, this aspect is important for building trust, while for stakeholders it means improving the use of their equipment, and limiting disruption in the event of problems.

A further crucial aspect emerging from the materiality analysis is the relationship with dealers, since they represent the Company in their interactions with customers. During the sales phase, it is essential to communicate the full range of technical capabilities of the Company's products and the principles that led to their realization. During the post-sales phase, it is important to assist customers in the best use of equipment and machinery, reducing downtime in the event of damage. A network of well-trained dealers that understand the specific needs of customers is key to achieving these objectives.

A final issue of fundamental importance is the customization of products to the needs of emerging economies. The Company operates in 190 countries, and for this reason it is important to consider the specific characteristics of each individual market, customizing its products to local requirements. In this way, CNH Industrial can win market share while at the same time promoting economic and social development in emerging economies.

### Policies and commitments

Its commitment to its customers is a cornerstone of the Code of Conduct, in which CNH Industrial undertakes to fully meet the expectations of end customers and states that all CNH Industrial executives, managers and employees shall strive to exceed customer expectations and continually improve the quality of the Company's products and services. It specifically sets out employees' obligations to pursue this goal by building and maintaining fruitful and lasting relationships with customers, through safety, assistance, quality and value supported by ongoing innovation.

This commitment is extended to dealers through Company contracts, which include a clause by which dealers undertake to abide by the Code of Conduct and its Guidelines.

Commitments, actions and targets are set out in the Sustainability Plan (see pages 120-123).

### Organization

Customer relations are managed by each of the brands, which define the main guidelines. Each Region has a Commercial Services function that reports directly to the Regional Chief Operating Officer (each Regional COO is a member of the Global Executive Committee). Through the brands, the Commercial Services function provides the services needed to implement the defined customer strategy. The Quality function, whose head is also a member of the GEC, operates centrally, and pursues the following objectives: to ensure the quality of Company products over their entire life cycle; to drive consistent processes and methodologies across product lines, Regions and product support functions; to assist Regions in achieving their objectives; and to drive optimization across product lines and Regions to improve results, efficiency and speed.

Each Regional Commercial Services function has a department that deals with the management and development of the dealer network, in compliance with the guidelines defined by each brand.



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DMA



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## DEALER AND SERVICE NETWORK

The dealer and service network is directly managed by the individual CNH Industrial brands and supported at regional level by Network Development. This function designs tools and defines processes to monitor the relationship with dealerships, ensuring a consistent approach across the Company.

Specific dealer development programs ensure that CNH Industrial's dealer network complies with its customer service and quality standards. The main objective of these programs is to drive best-in-class customer support across the dealerships and to build a stronger and more competitive dealer network, so contributing to dealer business growth. Competitiveness, organizational structure, financial sustainability, as well as customer support and satisfaction, are examined through the following operational areas:

- visual identity
- facilities and operations
- administration and marketing
- sales
- parts
- service.

## SERVICE QUALITY STANDARDS

The monitoring of programs for dealer quality standards is managed via a dedicated system known as **AssessNet- NAT** (Network Assessment Tool). Thus far, this system has been used in the EMEA and NAFTA Regions, with extension further afield planned from 2014 onwards. The AssessNet-NAT software is used to manage information on CNH Industrial brand dealers, and allows each company to continually monitor the compliance of its dealers with the required qualitative standards, while also overseeing the measures planned to meet these standards. The system also collects information on the various audits performed on the dealership network, along with the results.

CASE IH *Pinnacle Excellence* and *Red Excellence*, New Holland Agriculture *President's Club* and *Blue Ribbon* are some of the programs developed in line with strategies for global markets, and customized to respond to the precise local and regional requirements. The CASE IH *Pinnacle Excellence Program* strives to improve the quality and competitiveness of CASE IH dealers in terms of brand representation, performance, customer service and technical support. For *Pinnacle Excellence*, Case IH performed an overall assessment of the strengths of its own customer support services, those of its dealers, and those of dealers in comparable industries, with a view to identifying industry best practice. The results of this comprehensive survey were then used to design the *Pinnacle Excellence Program*, with the goal of driving best-in-class brand representation and customer service across the dealerships. Both are factors that can greatly improve competitiveness and the customer experience, so enhancing dealer profitability and brand performance. In 2011, in NAFTA, CASE IH introduced the *Pinnacle Excellence Program* to seven hundred dealers, employing 25 best practices with measurable guidelines, assessing the Sales, Marketing, Operations, Parts, and Service functions, and evaluating overall levels of expertise at the dealerships. To support *Pinnacle Excellence*, several in-depth dealer-training programs were developed and implemented:

- the *Sales Excellence Program*, a comprehensive training scheme that helps dealers to define a professional and organized sales process and to grow their business
- the *Parts and Service Profitability Program*, an advanced training workshop focused on increasing dealership profitability
- the *Financial Leadership for Growth Program*, a training workshop for dealer stakeholders and financial managers to help them examine and plan performance and growth targets
- *Business Management Services*, a web-based program that collects and analyzes dealers' key monthly financial data taken directly from their management systems
- the *Customer Satisfaction Measurement Program*, a turnkey service that measures customer experience and satisfaction at a particular dealership in terms of purchases, operation of new vehicles, and repairs under warranty.

The New Holland *Dealer Standards Program* was re-established in 2010 and sets guidelines and measures to increase the dealer's customer base and enhance customer satisfaction with New Holland products and services. Standards selected directly reflect the brand's priorities, although they are not intended as the sole criteria for excellence, but rather set the framework within which dealers should strive for further improvement. The program has two achievement levels: the President's Club and the Blue Ribbon. While the Blue Ribbon level sets the minimum standards for dealers, the President's Club level recognizes dealers who reach a higher level of service excellence, as well as a preset product target. The New Holland *Dealer Standards Program* will continue in 2014 with improved guidelines and raised targets to drive dealers to strive for excellence in the market and in the community.

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EMEA, NAFTA

In Europe, New Holland Agriculture's business activities are customer-focused. The New Holland brand and its dealers are committed to sustaining a lasting relationship based on trust and confidence, and indeed the company considers its dealers to be business partners. The *Top Partner Program* promotes the continuous development of all parties involved and helps to assess dealer expertise, as well as identify areas for improvement, giving guidance on how this can be achieved. It is based on three main principles: leadership and management, customer acquisition and support, and personnel management and retention. These principles are applied through Sales and Marketing, and Service, areas in which New Holland has defined a series of best practice objectives to give dealers a competitive market advantage. A series of specific standards form the basis of the *Top Partner Program*, according to three levels of compliance: certified, advanced and premium. First level compliance demonstrates a dealer's ability to deliver a unique and consistent New Holland Agriculture experience to the customer, whereas premium level compliance reflects systematic implementation of recommended dealer best practice.

Case IH Europe believes in building the industry's most professional dealer network and, through the *Red Excellence Program*, trains dealers to a very high professional level to meet the increasingly demanding requirements of existing and future customers. The scheme was launched in 2009 in five key markets and has since been extended to all European plants. The aim is to foster a successful and sustainable partnership with dealers and continuously raise the quality of customer service. *Red Excellence* supports each dealer, identifying critical business areas and driving best practice to achieve continuous improvement. Key areas for dealerships are:

- HR and Training
- Sales, Service, and Marketing
- Dealership buildings and signage
- Tools and equipment
- Harvesting and Advanced Farming Systems.

There are three levels of *Red Excellence* compliance for Case IH dealers: the certified level recognizes the fulfillment of minimum Case IH quality requirements for a consistent brand experience; the professional level demonstrates above-average quality standards for an outstanding customer experience; and the master level recognizes best-in-industry standards, excellent performance, and outstanding customer service through the adoption of best practice.

Another dealer network management tool is *geomarketing*; it monitors the performance of different dealerships and provides key operational guidelines for both CNH Industrial companies and dealerships, providing information useful to directing its operations.

## OUR PROJECTS



### SUSTAINABLE DEALERSHIPS

In 2013, the Steyr brand launched a project to produce a practical guide on how to make dealership buildings more efficient and sustainable. The key elements identified were: to favor the use of wood, to encourage the use of natural light, to adopt solar power technology, and to install heating systems powered by renewable sources (e.g., biomass). Adopting these principles may lead to certification with the klima:aktiv building standard<sup>1</sup> or other major sustainable building specifications. The preliminary study was carried out in collaboration with ten dealerships in Austria and aimed at evaluating best practice. The next draft of the guide has been discussed by the CNH Industrial team together with the four main brand dealers. The guide is currently being circulated throughout the organization.

Since the end of 2013, the **Parts function** has been working closely with the Agricultural brands to build sustainable and efficient processes, with the aim of improving dealer efficiency and performance. Dealer standards for the Parts function are completely integrated into the *Top Partner* and *Red Excellence* programs, and focus on certain high-impact areas, centered on Parts best practice and based on five key pillars. Working together with the dealer network through this robust program, CNH Industrial continues to build strong relations whilst remaining customer focused and striving to exceed expectations.



<sup>(1)</sup> klima:aktiv is the Austrian climate protection initiative launched by the Federal Ministry of Agriculture, Forestry, Environment and Water Management, and is embedded in the Austrian federal climate strategy.

At critical times, CNH Industrial customers turn to the Parts function with an expectation of the best solutions from the brands, in terms of both products and service; the Company is best placed to achieve this by building a profitable and sustainable network and by focusing on customer satisfaction and loyalty. Only a satisfied customer is loyal and returns time after time.

CNH Industrial Parts understands that the process starts with product purchase and is re-enforced in the workshop. Dealers must welcome customers in a professional manner, communicate the right brand image, and remain customer-focused, extending this approach to sub-networks and warehouse management.

Targets for the network are to improve assessment and aftersales resource allocation, plan and implement marketing strategy, and capitalize on each moment of contact between dealership personnel and the final customer.

### Quality control

The quality assurance standards adopted by the various CNH Industrial companies have also been implemented across the dealer network. In Trucks and Commercial Vehicles segment, for example, customer service quality standards are regularly verified by external audits based on ISO 9001; 80% of the Trucks and Commercial Vehicles dealer network in major European countries is ISO 9001 certified.

## POWERTRAIN – DEALER AND SERVICE NETWORK

FPT Industrial believes it is vital to develop the skills and knowledge of all its dealership personnel. Every year, technicians and sales and post-sales employees attend specially designed training programs that are in line with Company strategies and requirements. The courses are focused on developing and enhancing the managerial skills and technical knowledge of personnel, as well as on raising awareness of a corporate identity based on standards of excellence.

The FPT Industrial dealer network comprises about one hundred autonomous businesses tasked with the sale of its engines and spare parts. Globally, the post-sales network is present in over one hundred countries, with 1,300 service outlets.

Our dealers are either single-brand vendors of FPT Industrial products, or multi-brand dealers that sell FPT Industrial engines alongside other products from non-competitors. In North America, the dealer network is organized into major distributors and multi-brand dealers, and supported by 250 dealerships.

Training provided to the dealer and service network is key to strengthening the dealers' technical and business skills and to keeping them updated on the latest product innovations. Over the years, the specific training initiatives for the Powertrain network have kept pace with the evolutions in technology, giving dealers and workshops a full grounding in the installation, maintenance and repair of both mechanical and electronic engines, as well as after-treatment systems.

Dealer training sessions are planned centrally and can be provided at FPT Industrial headquarters, at the dealership, or at the end-customer's premises, should an engine require a specific type of installation. Technical training is available in five languages (Italian, English, French, Spanish, and German) and is supported by regularly updated training books available online for distance learning. Part of the FPT Industrial training strategy for 2011-2013, the **Customer and Commercial Excellence School** project is a course aimed at Sales, Marketing, and Product Marketing and is provided together with the SDA Bocconi School of Management.

The heads of sales, key account managers, and marketing managers are among the professionals involved. The course is aimed at strengthening the customer focus culture, enhancing business skills within FPT Industrial, and promoting comparison and benchmarking through the experiences of companies from different sectors, but nonetheless analogous to FPT and recognized as advocates of best practice. Where sales are managed through dealerships, and to support continuous improvements in customer satisfaction and as part of the quality certification process, customers are given questionnaires requesting feedback on the network. Analysis of the results and the generation of statistics lead to improvements in the sales process and a better understanding of end users' needs.



## TRAINING FOR THE NETWORK

CNH Industrial is committed to ongoing investment in the dealer and service network, with a view to offering customers an expert service. With this in mind, the Company believes that training employees to understand and respond appropriately to customer needs is essential.

Building the skills and know-how of all dealership personnel is of fundamental importance. Every year, CNH Industrial designs and runs special training programs for technicians, sales people and after-sales personnel, tailored to Company strategies and requirements. These training courses focus on developing managerial skills and technical expertise, as well as promoting a corporate identity built on excellence.

CNH Industrial has created **Unetversity**, a professional training organization which aims to enhance the knowledge and expertise of its dealers. It is made up of 270 professionals and 52 training centers across the world, and offers a catalogue of around 5,600 courses, available in various languages, and customized according to the specific needs of dealership personnel. In 2013, Unetversity delivered around 1.4 million training hours, including online and instructor-led courses. Investment in dealer network training totaled €31 million in 2013. Unetversity's training approach contributes to dealer network business growth, providing customized solutions that reflect the current market environment and offering a wide range of training activities, based on both traditional classroom-based approaches and online. Each segment also develops courses tailored to meet the training needs of the dealer and service network.

In 2013, Unetversity further developed and extended training opportunities, making significant improvements in two areas:

- expansion of the training program with the addition of new materials
- increase in training coverage through online training worldwide, with a stronger training presence in developing regions.

In 2013, the Agricultural and Construction Equipment segment provided 949 thousand hours of instructor-led courses on technical and commercial aspects.

In 2013, the Trucks and Commercial Vehicles segment provided 119 thousand hours of instructor-led courses on technical aspects, and more than 83 thousand hours of training to the dealer network across all markets, of which 65 thousand hours covered energy conservation, ecology, and safety, with about 30% more time devoted to the latter two topics.

The Trucks and Commercial Vehicles segment operates through Iveco-Unetversity Commercial Training, a vocational training scheme that aims to strengthen the knowledge and expertise of the Trucks and Commercial Vehicles Network and make it the benchmark for excellence in the Trucks and Commercial Vehicles segment. It also aims to raise awareness across the network of the importance of conducting all its dealings in a context of respecting the environment, promoting best practice for driving economically, and disseminating information on reducing emissions.

Iveco Unetversity offers a range of up-to-date courses on innovations within the sector, in line with the most effective training methods for classroom and online teaching. All Iveco-Unetversity courses are available in several languages and are tailored to the specific needs of dealership personnel.

The continual search for topics of special interest to the network saw, in 2013, the entire sales team, along with the owners, engaged in an in-depth study of the characteristics of Euro VI engines and their application during the Stralis Experience Test Camp. This was a major international event involving all heavy vehicle retailers, dealers, and international key account managers. The event provided a complete grounding in the product ranges of major competitors in the heavy vehicle sector; was full of detail and even offered the chance to test drive the vehicles: to see, touch, and try out all that the industry has to offer, with the aim of renewing and strengthening the profile of Trucks and Commercial Vehicles segment and of the quality of its products.

Product training focused on technologies that save energy and reduce maintenance requirements, in line with a responsible business approach. Participants were also given the chance to talk over the issues, thus enabling them to discuss such topics with customers in a more professional and knowledgeable way.

At the same time, training also focused on aspects of responsible selling, requiring all dealers to manage customer relations in a transparent manner, especially with regard to financing agreements and maintenance and repair.

As well as innovative products, emissions reduction, and cutting-edge services attending to the customer's every need, Iveco Commercial training also provided experiential courses on telephone recalls, supervising and monitoring the sales force on, among other things, the proper use of Customer Relationship Management data, and the making of calls in a professional manner according to a structured and shared methodology. Helping dealers to improve on current sales methods, training them to increase new customer penetration in the area, and reducing competitors' market share through targeted training, builds a network that is ready for future challenges.



## ON SITE TRAINING

In 2013, Unetversity took further steps to decentralize its training offer, extending the use of structures located in various countries and increasing online training delivery. In NAFTA, the Agricultural and Construction Equipment segment has now achieved a training footprint of six training centers, with nine partner colleges at additional training locations in proximity to the dealer network. In North America, these efforts saved seven million kilometers in travel for participants, in addition to saving 5.5 million kilometers worldwide through the use of online training solutions. In Europe, two partnership schools in the Netherlands and Denmark saved 1.5 million kilometers in travel, extending the Company's network of training centers, present in all major European countries.

The Trucks and Commercial Vehicles segment is further decentralizing its training presence, with the completion of two new training centers in China and the Middle East. The training organization was expanded in this region in order to meet the growing need for training in some developing regions, and now includes courses in additional languages.

In 2013, the Trucks and Commercial Vehicles segment continued its *On Dealer Site* training. Trainer and vehicle spent the day at the dealership, conducting the course on site. This system allows dealers greater accessibility to information, significantly reducing the cost and time of travel for participants. Time spent on such training is more than compensated for by enabling the dealer to continue sales operations and customer service uninterrupted.

In 2013, 252 million hours of **online training** were delivered to CNH Industrial salespeople and aftersales personnel, 243 thousand hours were delivered to Agricultural and Construction Equipment dealers and over nine thousand hours delivered to the Trucks and Commercial Vehicles segment sales and service network on product services and sales skills.

Furthermore, since 2012, content is also available on tablet computers, thanks to the development of new product training apps specifically for network personnel. This content, the new technologies, and the approach to the customer within the scope of the Total Cost Of Ownership (TCO) summarizes the philosophy through which the Trucks and Commercial Vehicles segment promotes and distributes information to technicians and salespeople on themes including commitment to safety, reduction of emissions and individual wellbeing.

Finally, each segment constantly monitors the quantitative results of the training it provides to the network, using a dedicated system to assess course satisfaction levels and measure learning levels.

## TRAINING ON SAFETY AND THE ENVIRONMENT

Significant attention is given to training to enhance dealer and customer awareness of the environmental and safety-related features of CNH Industrial products. Training programs include an overview of brand environmental strategy in line with the recent Tier 4 regulations, along with related technical solutions applied to the products, field demonstrations, and training on proper machine use to increase efficiency, reduce fuel consumption, and optimize safety.

The training organization is also dedicated to improving customer driving skills, with respect to both safety and the environment. In 2013, over 12 thousand hours of training were delivered to construction equipment operators and 24 thousand hours to agricultural equipment operations. Specifically, in France and Germany, New Holland Agriculture rolled out the Harvester Master program for combine and forage harvester operators, in which over three thousand participants were trained on topics related to safety and sustainable driving techniques. Particular focus was placed on avoiding machine fluid leaks and soil contamination during operation, and on maximizing equipment efficiency while minimizing fuel consumption.

Training programs are designed to facilitate the introduction of new technicians into the dealer network. In collaboration with local government, CNH Industrial organizes training for young technicians, giving them the skills necessary to find work at Company dealerships. Dealers are also involved in these initiatives, making a commitment to hire the technicians trained.

In 2013, Trucks and Commercial Vehicles devoted significant resources to marketing products with low environmental impact. Network dealers had the chance to explore issues such as the reduction of emissions, noise pollution, and maximizing vehicle payload, in order both to satisfy customers and to respond to the needs of the community.

Not all those working in this field understand that truck fuel consumption is affected by traffic, environmental conditions, and driving style. The role of the Segment Commercial Training is to help drivers understand how it is possible to save more fuel by modifying their behavior. It does this by providing a definitive response: *Driver Training* courses are aimed at all those who drive Trucks and Commercial vehicles and who want to get the best user experience possible. This type of training has been provided for over three years, and is customized to the product range and to the client.

In all major markets, the driving courses are supervised by a team of specialist teachers and demo drivers, and provided 9,300 hours of assisted driving in 2013.



## CUSTOMER CARE

From the initial contact onwards, CNH Industrial interacts with and provides assistance to its customers to give them an experience that meets their expectations. The Company's customer care departments are dedicated to developing, managing and promoting customer service solutions, helping to foster enduring relationships and satisfy customer needs and expectations.

Specifically, CNH Industrial customer care operates through four customer service centers located in the main Regions: EMEA (Arese and Turin, Italy), NAFTA (Racine, USA) and LATAM (Sete Lagoas, Brazil).

Customers can contact the Company via the Web or by phone, which are the main channels of communication.

Most CNH Industrial customer centers are operational 24 hours a day, seven days a week.

The dealerships are also an important interface for handling requests from customers in each of the Company's main Regions of operation, since they offer a variety of services, including information, complaints management, and assistance to customers in case of breakdown.

At CNH Industrial, the customer service center works in close collaboration with brands, dealers, technical services and other functions, and resolves to:

- give clients easy access to the Company and its brands through various channels of communication
- manage relationships with customers and provide them with the necessary support
- monitor and measure customer satisfaction and collect customer feedback.

## MAIN SERVICES PROVIDED

CNH Industrial believes that customer satisfaction and, consequently, customer loyalty are closely linked to the quality and efficiency of the services it provides. The main services set up by the Company to manage the various aspects of customer relations are:

**CRM relations** (Info and complaints) - effectively manages and facilitates a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service through studied methods and processes throughout their full life cycle; the customer experience should be positive, respectful, and attend to their needs, in line with their expectations when looking to purchase new machinery. Through CRM relations the Company receives complaints that are organized by type or category, and assigned a target date or objective for completion. Most product complaints are given an 11 day target for completion. If a case goes beyond the target date, the Customer Relations manager reviews the case and decides whether to escalate. Escalation usually involves external company resources, such as field services and/or dealerships. Each customer that files a complaint is asked if they wish to take part in a phone survey.

**Breakdown Assistance** (BDA) - intervenes in case of vehicle breakdown for Agricultural and Construction Equipment clients, ensuring all necessary steps are taken so that the client can resume work as soon as possible. Through BDA, when a customer experiences equipment failure, not only the dealer but also the whole company is alerted to help the dealer resolve the problem. A dedicated parts shipment and delivery team oversees the location and delivery of parts, including overseas shipments. The service tracks customers until all issues are resolved, allowing them to get back to work as soon as possible. In NAFTA and LATAM, the process is carefully monitored, and, following resolution, dealer and customer satisfaction surveys are conducted to evaluate service and process performance, measured in hours of Total Vehicle Downtime (TVD). In 2013, for BDA in LATAM, a Daily Report for BDA incidents was implemented (organized by regional targets in BDA hours in Brazil) to record whether the incident was first notified to the Field Service, Vice Presidents, Parts, or Product Support functions. The aim is to involve all personnel in finding a fast solution to reduce repair time. In parallel, a specific initiative was carried out with the Parts function to increase stock levels for parts requested through BDA.

**Assistance Non-Stop** (ANS) - ensures a round-the-clock service to Trucks and Commercial Vehicles customers, 365 days a year. Established to provide instant technical support for vehicle problems, the service is operational across 31 European countries, and is available in ten languages. The ANS service can be contacted on a universal toll-free number, or through the Iveconnect system. All employees working in this service receive specific training, with regular refresher courses. Every assistance request is managed by an operator who, once the customer and vehicle have been identified and located, carries out a pre-diagnosis of the problem. When the fault has been verified, the operator contacts the nearest mechanic, who is directed to the breakdown site. The operator continues to monitor the process until the repair is complete, assisting the mechanic if needed and keeping the customer updated until the vehicle is released. The customer center shares a database with relevant departments containing faults by number and type, and matches those with the faulty model and duration of the breakdown. Through the Iveconnect system, available across the new Stralis range, access to the Assistance Non-Stop service is even simpler and quicker: Indeed, in the case of a vehicle breakdown, the driver can contact the customer center directly from the vehicle, automatically sending a breakdown assistance request. The customer center then sends updates on the open order number, and the estimated time of arrival of assistance at the



customer vehicle, directly to the on-board telematics system. The customer center can activate the nearest mechanic through ANS Mobile, an app available on Android and Blackberry devices, which can locate the nearest mobile repair van and its movements using GPS. The project, which started as a pilot in 2012, is now being extended at European level, the most important markets for the Trucks and Commercial Vehicles segment, with the aim of further reducing assistance and repair times. Furthermore, the software interface allows the ANS technician to visualize all relevant order data directly on the device, along with GPS maps, and permits real-time interaction with the customer center, directly supplying information on repair status.

The ANS system managed more than seventy thousand cases of assistance in EMEA in 2013 (over 16% more than in 2012), and 14,200 in LATAM. This is partly because the customer center, to better meet customer needs, focused on launching new dedicated services such as Store Assist, a non-urgent breakdown service for incidents at the customer's depot rather than roadside.

Excellent results were achieved in 2013, with more emphasis given to mechanics' arrival times at a breakdown: in 2012, 69% of arrival times were under 70 minutes, rising to 80% in 2013. In terms of repair time, in 2013, 75% of total breakdowns were resolved in under 8 hours, while 74% of total roadside breakdowns were resolved in less than 2 hours. Furthermore, 98% of customers declared themselves satisfied or very satisfied with the service offered by the customer center.

**Lead Qualification** - is a process that verbally qualifies sales leads, gathered via CNH Industrial websites, and distributes them to the appropriate dealer. The leads are contacted by phone to confirm their request for a dealer contact, before distributing to the dealer. A follow up call is then made (five days post qualification) to confirm the customer has been contacted.

### Customer care figures

The Trucks and Commercial Vehicles customer center employs around one hundred staff members in Europe who receive continual training. It offers continuous assistance through the ANS program and also manages the Contact Us Service. To request information or to report a complaint from anywhere in the world, customers can simply access the Iveco website and communicate directly with the company.

The entire process is supervised by specially-trained personnel, from the first contact with the customer to the company's response, ensuring the speedy resolution of all issues. This service is available to both existing and potential customers, and is primarily used to request information about vehicles and parts, prices, technical documentation, type-approvals, as well as brochures, gadgets, etc. Contact is made through an easily-accessible form on the Iveco website. Every query is carefully analyzed and referred to the appropriate body, depending on the issue and country from which it originates; in this way, customers receive personalized information or are directly contacted by specialized personnel. In 2013, the customer center managed approximately nine thousand inquiries.

The call center in Racine, USA, addresses retail customers' complaints and the general public's information requests using a closed loop, documented system. The contact center is open five days a week, 11 hours a day for customer support, and deals with five brands, also addressing issues via email and postal mail. Agents interact with dealers and other Company employees to help document and resolve complaints. The closed loop system means all cases have a start, middle, and end, and are all concluded in a timely manner, the majority in under 12 days. In 2013, 6,425 information requests and 2,349 complaints were dealt with, each case requiring multiple contacts, for a total of 63,584 contacts (35,493 by phone, 28,091 by email). 88% of the cases were closed in 2 days, a 2% increase over 2012. The BDA contacts were 109,947 (45,522 by phone, 64,425 by email). 62% of cases met Company targets, compared to 66% in 2012, although the Total Vehicle Downtime performance improved by 3% over 2012. For customer complaints, 69% of cases were closed within 12 days or less, exceeding the goal of 60%, and with a 3% increase over 2012.

The APAC Region is creating a customer relations structure, with services directly managed by the Commercial Services function. In 2013, initial performance data revealed the following: in India, for New Holland Agricultural Equipment, there was an average call center response time of ten seconds; in Turkey, for New Holland Agricultural Equipment, 15% of customers participated in the satisfaction survey, with a score of 75/100; and in Russia, for Trucks and Commercial Vehicles, 85% of vehicles were repaired within 48 hours.

## CUSTOMER SERVICE CENTERS – HIGHLIGHTS

### AGRICULTURAL & CONSTRUCTION EQUIPMENT

| 2013                           | EMEA     | LATAM  | NAFTA    |
|--------------------------------|----------|--------|----------|
| Personnel <sup>(1)</sup> (no.) | 34       | 18     | 22       |
| Personnel training (hours)     | 2,728    | n.a.   | 419      |
| Contacts managed (no.)         | 50,339   | 11,374 | 63,584   |
| 2012                           |          |        |          |
| Personnel <sup>(1)</sup> (no.) | 32       | 17     | 22       |
| Personnel training (hours)     | 1,870    | 90     | 880      |
| Contacts managed (no.)         | 51,724   | 16,708 | 55,302   |
| 2011                           |          |        |          |
| Personnel <sup>(1)</sup> (no.) | up to 31 | 12     | up to 30 |
| Personnel training (hours)     | 2,500    | 2,550  | 4,800    |
| Contacts managed (no.)         | 47,358   | 13,308 | 72,197   |

<sup>(1)</sup> Personnel count varies during the year due to seasonality.

## CUSTOMER SERVICE CENTERS – HIGHLIGHTS

### TRUCKS & COMMERCIAL VEHICLES

|                                    | 2013   | 2012   | 2011   |
|------------------------------------|--------|--------|--------|
| Personnel (no.)                    | 101    | 100    | 101    |
| Personnel training (hours)         | 7,930  | 7,840  | 7,270  |
| ANS dossier/Contacts managed (no.) | 70,787 | 60,571 | 56,300 |

### Customer database

The CNH Industrial customer database processes customer information in a single central system for all brands, adopting a unified approach for all companies and markets, and providing an integrated view of customer data from different sources; the database supports the operational management of customers and leads (coming from brand sites or loaded directly onto the system by dealers) in terms of distribution and follow-up. In 2013, the database assisted in the creation of loyalty programs (e.g., the 2013 Harvesting Master program) and marketing initiatives aimed at activating, and better supporting, relations with customers and prospective customers. CNH Industrial is also putting a new social media service in place, to provide customer care and to effectively monitor and track conversations on products and services.

A corporate database is available for the Agricultural and Construction Equipment segment in NAFTA, containing over 5.5 million customer and industry records, including all CNH Industrial customers registered for warranties. UCC1 (Uniform Commercial Code-1) file data and demographic information from Farm Journal are also available. These three sources of information provide a record of all industry transactions over the last ten years. CNH Industrial also records customer relations interactions, requests for information, breakdown assistance, lead management, and Red Select surveys and cases as they occur. All of this information can be accessed by our marketing teams to create advertising campaigns and generate lists of sales prospects.

## CUSTOMER CARE AT POWERTRAIN

In the Powertrain segment, customer relations are managed by a new **Technical Service and Customer Solutions** function, with the aim of putting the focus firmly on the customer.

The new function is guided by CIP (Continuous Improvement Process), which embodies the Company's ongoing commitment to improvement. This approach is based on three fundamental elements: to learn, to analyze, and to optimize. Through CIP, customer feedback is received, analyzed and then shared across the organization as a lesson learned. When applied to the Company's operations, this translates into processes being carefully analyzed to identify and fine-tune their various stages, with improvements made in small, gradual yet continuous steps. CIP ensures the customer's voice is heard throughout the Company, allowing ever-more effective solutions to be developed, anticipating their requirements and optimizing the product range.

The new Service function is divided into six teams:

- **Training School** for providing an appropriate training and technical offering
- **Technical Diagnostic Tools Management** for managing technical assistance methods, tools and manuals
- **Technical Customer Support** for an expert response to customer queries and urgent requests
- **Field Engineering** for resolving the technical issues of customers and dealers in the field
- **Service Engineering for Serviceability** for setting standards that ensure serviceability
- **Warranty Management** for managing warranty authorizations, methods and standards.



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PR5



**Sustainability Plan**  
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**Glossary**  
APAC, NAFTA

Workshops were also organized with major FPT Industrial customers, including Mitsubishi Fuso, Claas, Tigercat, and Ford. These workshops were met with great enthusiasm from participants and provided a more in-depth understanding of the market. All this translates into the standardization of processes and services, such as warranty policies covering all products, training sessions and workshops for all customers and dealers.

## CUSTOMER INSIGHT AND CUSTOMER SATISFACTION

Through extensive planning, execution, and evaluation of activities, customer relations management aims to design, operate, and coordinate multiple interaction touch-points to deliver a real brand experience to the customer and to define guidelines on how to listen to customer input by monitoring satisfaction levels to improve the quality of services offered.

Indeed, results and customer satisfaction levels are continually monitored by the Company. For example, the Agricultural and Construction Equipment brands constantly monitor specific factors at their customer service centers to ensure the ongoing improvement of services. These factors include response time, time taken to resolve a problem and time taken to achieve customer satisfaction. In NAFTA, the **Red Select/5 Star Surveys** are managed directly by customer care, and are made up of three different surveys carried out in the first months after product purchase, to measure customer satisfaction with regard to both the product and the buying experience. Customer responses are passed on to the relevant departments and provide opportunities to improve customer satisfaction and identify early trends. In 2013, levels of customer satisfaction remained constant, and were particularly high in LATAM, with an average score of nearly nine out of ten for the information service. The results of these surveys are consolidated and passed on to the marketing research teams on a monthly basis. The frequency of customer satisfaction assessment depends on the services offered: customers that open an information request are given the opportunity to take a survey via the Internet; dealers are offered the opportunity to complete a survey on their experience with Breakdown Assistance; in LATAM, for Non-Stop Assistance, customer satisfaction is assessed 72 hours after service delivery. Three elements are evaluated: the telephone service or call center, assistance in loco, the service dealer (winch or tow), and, afterwards, general satisfaction with the service. Assessment results lead to a plan of action, to be implemented by field services.

## CUSTOMER SERVICE CENTERS – KEY INDICATORS

AGRICULTURAL & CONSTRUCTION EQUIPMENT - WORLDWIDE

| 2013   | EMEA | LATAM | NAFTA |
|--|------|-------|-------|
| Average call center response time (seconds)                      | 12.0 | 15.0  | 24.0  |
| Customers participating in satisfaction surveys <sup>1</sup> (%) | 20.0 | 39.0  | 12.4  |
| Satisfaction index (scale 1-10)                                  |      |       |       |
| information  | 8.0  | 8.9   | 5.9   |
| complaint  | 6.5  | 7.2   | 6.0   |
| breakdown assistance <sup>2</sup>                                | n.a. | 7.8   | 8.6   |
| Vehicle downtime (% of vehicles repaired within 48 hours)        | 36   | 46    | 47    |

| 2012   |      |      |      |
|--|------|------|------|
| Average call center response time (seconds)                      | 13.0 | 12.0 | 31.0 |
| Customers participating in satisfaction surveys <sup>1</sup> (%) | 16.0 | 17.0 | 11.0 |
| Satisfaction index (scale 1-10)                                  |      |      |      |
| information  | 7.9  | 9.0  | 6.8  |
| complaint  | 5.9  | 7.0  | 6.0  |
| breakdown assistance   | 7.7  | 8.0  | 8.4  |
| Vehicle downtime (% of vehicles repaired within 48 hours)        | 39   | 16   | 48   |

| 2011   |      |      |      |
|--|------|------|------|
| Average call center response time (seconds)                      | 12.0 | 12.0 | 23.2 |
| Customers participating in satisfaction surveys <sup>1</sup> (%) | 17.0 | 18.0 | 9.5  |
| Satisfaction index (scale 1-10)                                  |      |      |      |
| information  | 8.0  | 8.5  | 9.0  |
| complaint  | 6.0  | 7.1  | 8.0  |
| breakdown assistance   | 7.8  | 8.3  | 8.2  |
| Vehicle downtime (% of vehicles repaired within 48 hours)        | 46   | 17   | 49   |

<sup>(1)</sup> Data refers to information and complaint survey data.

<sup>(2)</sup> Data no longer collected, in EMEA, because of data protection legislation.

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EMEA, LATAM, NAFTA

## CUSTOMER SERVICE CENTER – KEY INDICATORS

### TRUCKS & COMMERCIAL VEHICLES

|  | 2013 | 2012 |
|--|------|------|
| Average call center response time (seconds)                  | 24.5 | 17.7 |
| Customers participating in satisfaction surveys (%)          | 33   | 21   |
| "Satisfied" or "very satisfied" customers <sup>(1)</sup> (%) | 98   | 97   |
| Arrival time under 70 minutes (%)                            | 77.9 | 6.9  |
| Roadside repair under 2 hours (%)                            | 73.6 | 71.1 |

<sup>(1)</sup> Survey carried out to objectively evaluate and measure the satisfaction of customers using the Assistance Non-Stop service when in a broken down vehicle, by contacting the Customer Center to request roadside assistance. As of January 2012, evaluation criteria were changed, in order to measure the percentage of customers who declare themselves to be satisfied or very satisfied with the service.

### Integrating customer feedback

CNH Industrial customers are central to product design, and their involvement at this early stage is essential to provide the right response to their actual needs. Through Customer-Driven Product Definition (CDPD), CNH Industrial customers actively participate in the development and testing of new models. CDPD consists of: visiting and collecting feedback from customers, analysis of their suggestions, meetings with product platform teams, customer testing on new model prototypes followed by comparison of their main features, and, finally, integration of customer suggestions into final product specifications. All these stages lead to product designs that not only ensure optimal performance and efficiency, but also meet the needs of customers that use CNH Industrial vehicles every day in their work.

CNH Industrial also tracks parts' usage to support the Breakdown Assistance program. Usage is organized by product range for the current month, the last three months, and the year to date, and is passed on to the Company's Quality unit on a monthly basis. By reviewing the data, the Quality units can identify developing trends, and whether previously identified and corrected trends have been addressed.

### Information on the products

Each product sold comes with an owner and maintenance manual, through which CNH Industrial provides key product information to customers, and that is in every respect an integral part of the product itself. The manual contains exhaustive information on safe use and on behaviors to minimize environmental impact, such as disposal of lubricating oils and additives, and efficient product use to reduce consumption and pollution.

The manual contains comprehensive information on:

- product identification data
- product functions (start-up and operation)
- correct product maneuvering
- safe product use
- human-machine interactions (controls and devices)
- on-board equipment
- technical features
- checks, and ordinary and scheduled maintenance
- product approval standards (emissions, noise, electromagnetic compatibility, etc.)
- instructions for using biodiesel, if applicable
- safe product transportation (for construction equipment).

Owner and maintenance manuals are compiled as per the ISO3600 standard, and the safety and accident prevention information contained therein is presented according to the ANSI Z535 standard. They are available in all the languages of the markets where the products are sold, in compliance with applicable local regulations. All manuals and their contents also comply with EU directives specific to vehicle type, such as 2006/42 EC and 2010/53 EC.

To enhance usability and reduce paper usage (the manual of a combine harvester can reach seven hundred A4 pages), all manuals are available on the dedicated service network webpage. Repair shop manuals, which can reach up to five thousand pages, are also available on DVD for the service network.

| Information in the owner and maintenance manual                          | Agricultural Equipment | Construction Equipment | Trucks & Commercial Vehicles |
|--|------------------------|------------------------|------------------------------|
| Sourcing of components   | n.a.                   | n.a.                   | n.a.                         |
| Presence of substances with potential for environmental or social impact | yes                    | yes                    | yes                          |
| Safe use of product  | yes                    | yes                    | yes                          |
| Disposal of consumables  | yes                    | yes                    | yes                          |
| Other (noise and vibration levels)                                       | yes                    | yes                    | no                           |

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## PRODUCT QUALITY SUPPORT AND RECALL CAMPAIGNS

Another important element of customer proximity and care is the way CNH Industrial manages its recall campaigns.

The goal is to intervene as effectively as possible to maximize vehicle availability, while also collecting important information for future product improvement.

The central Quality function coordinates the various recall campaigns.

When the need for a recall campaign has been identified, those functions that interact directly with customers are engaged, including the dealers and managers of the various brands.

CNH Industrial's Current Product Management (CPM) process introduces improvements to current production units and responds quickly to issues at units in the field. The CPM team includes representatives from Quality, Engineering, Parts, Purchasing, Manufacturing, and Brand Service.

During recall campaigns requiring vehicle repair, CNH Industrial implements a series of programs to inform customers through various channels on the interventions involving their vehicles.

The **Best Service Program** is a tool for managing campaigns that are particularly sensitive due to the region or product type. The program is managed centrally by Quality and aims at offering centralized support to dealers and other commercial entities and at fostering customer loyalty during recall campaigns. Prolonged vehicle downtime can be financially damaging for customers, above all for farmers during their most productive periods of the year. To reduce vehicle downtime at repair shops, Customer Care coordinates the different bodies centrally, in order to keep both customers and dealers updated and to ensure spare parts are supplied as promptly as possible.

The decision to launch a PIP (Product Improvement Program) is taken by the CPM team, which considers both technical and customer-impact factors. Once the PIP has been approved and prepared for launch, it is released to the network via the Product Support structure that, together with Brand Service, ensures rapid completion and maximizes customer satisfaction.

Below is a summary of Mandatory and Safety PIPs approved in 2013.

### NUMBER OF PRODUCT IMPROVEMENT PROCESSES (PIPS) LAUNCHED

CNH INDUSTRIAL

| 2013                                    | PIPs       | Safety PIPs | Total      |
|---|------------|-------------|------------|
| Agricultural and Construction equipment | 140        | 20          | <b>160</b> |
| Trucks & Commercial Vehicles            | 107        | 18          | <b>125</b> |
| <b>Total</b>                            | <b>247</b> | <b>38</b>   | <b>285</b> |

### NUMBER OF UNITS INVOLVED IN PRODUCT IMPROVEMENT PROCESS (PIPS)

CNH INDUSTRIAL

| 2013                                    | PIPs           | Safety PIPs   | Total          |
|---|----------------|---------------|----------------|
| Agricultural and Construction equipment | 44,661         | 5,838         | <b>50,499</b>  |
| Trucks & Commercial Vehicles            | 126,848        | 46,700        | <b>173,548</b> |
| <b>Total</b>                            | <b>171,509</b> | <b>52,538</b> | <b>224,047</b> |



## CUSTOMIZATION FOR EMERGING MARKETS

CNH Industrial believes in meeting each client's needs with the right product, and, for this reason, its brands in emerging markets opt to develop products on-site to meet the needs of local economies. In fact, in addition to the R&D centers present in all Company Regions (see also pages 14-15), Regional Operating Groups are identified within Product Development and Engineering, to develop and customize products not only according to the Company's global specifications, but also to local markets.



Trucks and Commercial Vehicles segment, for example, was involved in *Caminho da Escola*, a government program in **Brazil** established by the *Fundo Nacional de Desenvolvimento from Educação*. The program aimed to improve student transportation from rural areas, help reduce absenteeism especially among students up to 13 years of age, standardize school transport vehicles, harmonize and lower prices, and increase safety on board. In collaboration with Brazilian company NEOBUS, the Trucks and Commercial Vehicles segment developed a new school bus by updating its Daily 70C CityClass according to specific federal government requirements (including those on price). The new features included 29 +1 or 36 +1 passenger seats, depending on the wheelbase, a modern and streamlined exterior, a larger size with more spacious interiors and greater passenger comfort. In addition, the drive system was specifically designed for Brazil's rural roads.

In **Kazakhstan**, where vehicles are manufactured in partnership with SAP, a new range of PowerDailys and Tractors was developed focusing on type-approval and performance standardization with the specific needs of the country (fuel type, etc.). Specifically designed for the Chinese market, the PowerDaily is now being adapted to the demands of the Kazakh market.

### Transparent communications

The Trucks and Commercial Vehicles segment recognizes the social role played by advertising, and advocates positive and responsible values and conduct across all forms of communication. In 2013, the company released the new **Charter for Ethical Advertising** to promote responsible marketing and advertising in the markets in which it operates. Based on the applicable legal and advertising standards in these markets, the Charter sets the fundamental principles of communication for those working at or with the segment, including advertising agencies. The Charter is centered on three core values: personal and professional respect for the customer, fairness and integrity in communicating and passing on accurate, truthful, and clear product information, and commitment to offering useful solutions to customers through the goods and services provided. The customer's central role guides the Trucks and Commercial Vehicles segment business ideology. Created to serve as an operational tool, the Charter uses clear, concise language to facilitate its application across the company. Iveco brand is an active member of the European Advertising Standards Alliance (EASA) and of the *Utenti Pubblicità Associati* (UPA), an Italian association of major companies investing in advertising and communication that supports the *Istituto di Autodisciplina Pubblicitaria*, an organization focused on advertising standards.

## FINANCIAL SERVICES

CNH Industrial also places great importance on the sales process, crucial to building a relationship of trust with the customer. CNH Industrial Capital offers customers a range of financial products, including loans and leases, combined with auxiliary services (insurance, management of maintenance and repair contracts, etc.), to assist and facilitate purchases of both new and used CNH Industrial products, primarily through the authorized dealer network. CNH Industrial Capital has extensive processes and systems in place to ensure compliance with all laws and regulations on transparency, disclosure, data privacy, anti-money laundering, and sustainable financing. CNH Industrial Capital is committed to high quality standards, to focusing on customer needs, and to financial product and service innovation. In this regard, various initiatives have been undertaken at Company level, including customer satisfaction surveys, and ongoing training and effectiveness campaigns for sales representatives and internal employees, all designed to enhance the quality of products and services offered to customers.





# PRODUCT USE AND END-OF-LIFE



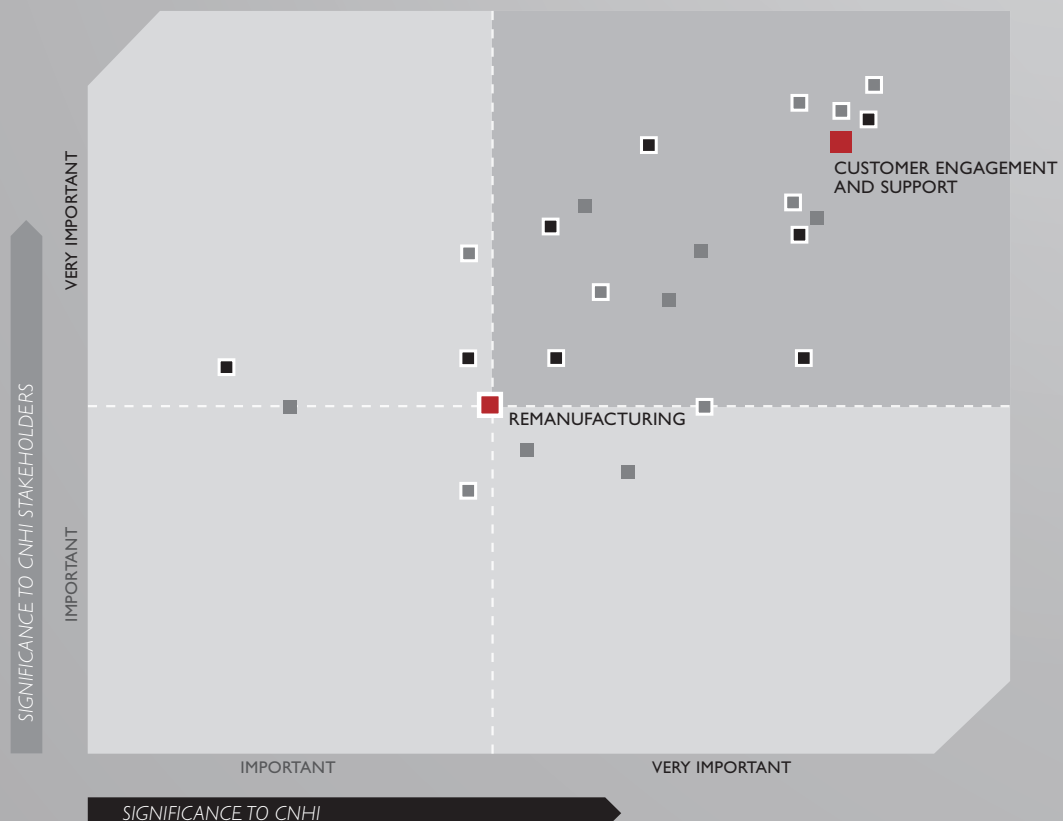
CUSTOMERS • DEALERS • SUPPLIERS •  
ENVIROMENT



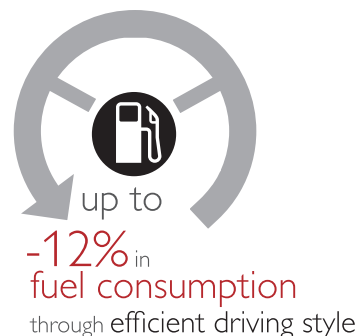
EN27



1,200 tons of  
reused raw materials



CNH Industrial's focus on the customer does not end with the mere supply of products, rather it extends to the way customers use them. Indeed, using a product appropriately - whether for construction, farming or transportation - significantly contributes to enhancing its efficiency and reducing emissions. In commercial vehicles, for example, a proper driving style allows for 5-12% savings at the same average speed. Company brands offer customers electronic systems, computer tools, and targeted training activities to ensure the complete knowledge of products and fuel consumption. Information on the safe use of CNH Industrial products and behavioral tips to optimize their use are available in every owner and maintenance manual supplied with each product. In addition to the manual and detailed information offered to customers by dealers, CNH Industrial supplies additional training activities and dedicated support tools.



## TRAINING AND SUPPORT SYSTEMS FOR RESPONSIBLE USE

The economy driving courses called **Iveco Driver Training** provide customers with in-depth vehicle information and tips on how to improve driving style, to reduce fuel consumption and running costs while respecting the environment. There are two types of courses: Vehicle technology and EcoDrive. Mainly intended for Iveco Stralis drivers, courses are held at Unetversity and consist of three training modules: classroom training, static *walkaround* of the vehicle, and road testing with the assistance of a demo driver.

A thorough knowledge of vehicle fuel consumption, based on reliable data, is important to improve vehicle performance and efficiency. Despite being one of the parameters that most affecting running costs, fuel consumption is complex and multifaceted. In fact, in order to accurately quantify consumption, one must consider many factors, such as the vehicle and its components, driving style, road and weather conditions, vehicle run-in, maintenance, and load conditions. These aspects are all systematically addressed during the course, as is the correct use of on-board devices, which can significantly enhance one's driving techniques and reduce fuel consumption.

## OUR PROJECTS



### NEW HOLLAND CONSTRUCTION TRAINS OPERATORS

New Holland Construction has delivered a first consignment of 58 graders to the Brazilian Ministry of Agrarian Development. The machines will be used to reconstruct roads connecting the northern rural areas of Minas Gerais to urban areas, with the aim of strengthening local, family-owned agricultural enterprises, combating drought, and developing infrastructures. Besides supplying graders, which will be 459 in total, New Holland will provide technical support and equipment maintenance, and will oversee the training of operators. The first training course was held in April 2013, qualifying the first 110 professionals.

The **Driving Style Evaluation** system provides real-time assistance to commercial vehicle drivers to optimize fuel consumption. Based on algorithms that analyze the signals and data transmitted by the traction system, vehicle, and GPS, the system provides the driver with two indicators through the on-board display:

- the overall assessment of the impact of driving style on fuel consumption
- the main tips to reduce fuel consumption.

The Driving Style Evaluation system can be connected to the IVECONNECT FLEET telematics system, and also allows for the remote assessment of fuel consumption associated with the driving style of each fleet driver. The system is available on the new Stralis Hi-Way.

In addition to training, CNH Industrial offers customers easy-to-use online tools, such as the calculator to quantify the **Total Cost of Ownership** (TCO) of a vehicle, or the **CarbonID™** calculator by New Holland Agriculture, certified by a third party, to quantify the carbon footprint of a farm's equipment fleet. By entering the cost of fuel and AdBlue, the tool also provides an estimate of actual savings. Case IH offers a **SCR Fuel Savings Calculator** as well: an online tool to quantify savings in terms of running costs achievable by using SCR technology.

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Glossary  
Carbon Footprint, TCO

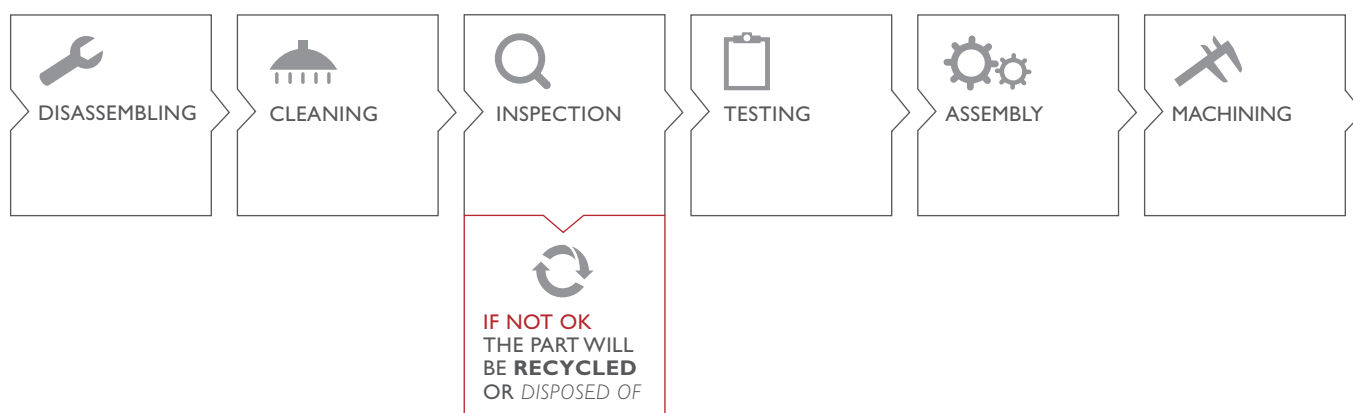


## REMANUFACTURING AND RECYCLING

Component *remanufacturing*, or regeneration, allows reducing landfill waste, reusing recoverable components, and recycling worn-out materials, hence creating savings in terms of energy and raw material costs, while actively protecting the environment and allowing customers to save 30% on average in purchase costs.

CNH Industrial's remanufacturing process guarantees high quality products compliant to the same technical specifications and standards of the components' original designs. Furthermore, the functional requirements of remanufactured components are certified after rigorous in-house benchmark testing, which gives customers the certainty of purchasing spare parts of the same quality, performance, life expectancy, and emissions of the equivalent new components. As further proof of their high quality and reliability, the spare parts remanufactured by CNH Reman are subject to the same maintenance intervals and warranty conditions as new parts. In light of the increasing relevance of remanufacturing, CNH Industrial's target for 2016 is to see remanufactured components make up for 10% of total spare part sales.

### THE REMANUFACTURING PROCESS



As a part of its joint venture, CNH Industrial has established several CNH Reman centers of excellence worldwide, including in the United States and in Europe, namely the remanufacturing plant in Garchizy, France. Products are remanufactured for Case and New Holland agricultural and construction equipment, and to replace Iveco Truck and Bus parts. Two thousand components were added to the remanufacturing

portfolio in 2013 alone, allowing the CNH Reman joint venture to reach 10,446 units since the beginning of activities, easily exceeding the target of 3,800 units remanufactured since 2008. The trend of remanufactured spare parts is on the rise, especially with regard to variety and number of markets of reference. The offer of a wide range of remanufactured products translates into high added value for customers: the previous knowledge of components and their respective designs allows developing efficient, qualitative and solid remanufacturing processes, while offering all of the technical upgrades applied to the components' latest

updated versions on the market. The broad product range includes engines (in block or components), transmissions, cylinder heads, turbines, starter motors, alternators, fuel injection systems, control units, fly-wheels, clutches, compressors, hydraulic components, and much more, offered across-the-board for all brands of CNH Industrial equipment.

The recovery of disassembled parts is key to achieving maximum remanufacturing process efficiency (replacement rate), and is performed by professional experts who ensure the quality of final products. Furthermore, the overall process rigorously complies with the standards in force regarding the disposal of products, or parts thereof, that are non-reusable and therefore to be discarded. The lower environmental impact deriving from the regeneration and reuse of components is impressive: approximately 1,200 less tons of raw materials used each year, with a subsequent reduction in CO<sub>2</sub> emissions. Brand Parts & Service manages the logistics involved in the overall process: from collecting parts to be remanufactured at dealerships, to hauling them to plants, to delivering them back to dealers after remanufacturing. Thanks to this centralized management, customers can count on reliability and short retrieval times at a competitive price, while dealers can rely on a streamlined collection of used vehicles.

1,200 tons  
of raw materials  
saved through remanufacturing



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## COMPONENT REMANUFACTURING

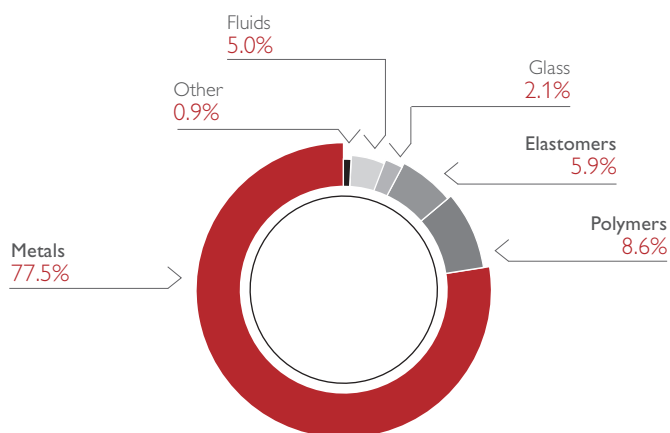
CNH REMAN NORTH AMERICA (no.)

|                                | 2013       | 2012         | 2011         | 2010         | 2009         |
|--------------------------------|------------|--------------|--------------|--------------|--------------|
| Engines                        | 86         | 514          | 470          | 395          | 280          |
| Engine components              | 26         | 1,048        | 855          | 680          | 485          |
| Drivetrains                    | 67         | 626          | 532          | 482          | 295          |
| Electronics                    | 65         | 197          | 120          | 66           | 10           |
| Hydraulics                     | 212        | 563          | 293          | 233          | 144          |
| Rotating electrical components | 45         | 460          | 430          | 398          | 322          |
| Turbines                       | 17         | -            | -            | -            | -            |
| Fuel injection systems         | 30         | -            | -            | -            | -            |
| <b>Total</b>                   | <b>548</b> | <b>3,408</b> | <b>2,700</b> | <b>2,254</b> | <b>1,536</b> |

In July 2010, European regulations on recovery and recycling were extended to light commercial vehicles, hence including some of Iveco's product ranges. For all of new type-approved models, European Directive 2005/64/EC (Reusability, Recyclability, Recoverability) sets minimum levels of recoverability (95%) and recyclability (85%). In order to monitor and optimize these levels, CNH Industrial has adopted the International Material Data System, a database used directly by suppliers (see also page 154) to enter information regarding the composition of their products. The recoverability of light commercial vehicles has already reached and exceeded 95%. Furthermore, thanks to an agreement with Fiat Group Automobiles, their end-of-life demolition in Italy occurs through a network of approximately three hundred authorized agents, duly trained to recycle metals and separate polymers into different categories. The list of authorized dismantling agents is available on the Iveco website.

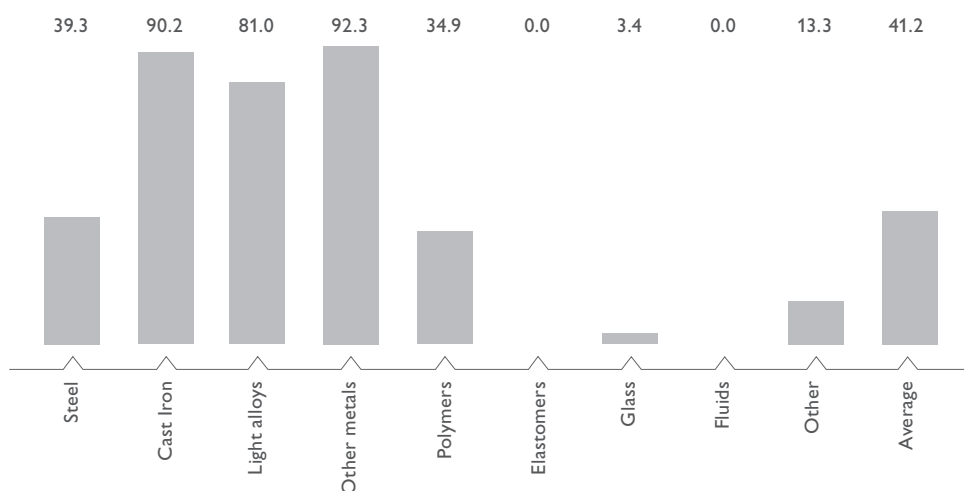
## COMPOSITION OF IVECO DAILY CAB BY MATERIAL<sup>1</sup>

(% TOTAL VEHICLE WEIGHT)



## PERCENTAGE OF RAW MATERIALS RECYCLED<sup>1</sup>

IVECO LIGHT COMMERCIAL VEHICLES (% TOTAL RAW MATERIAL USED)



<sup>(1)</sup> Data refers to the average value of Iveco's existing range of vehicles type-approved for launch in 2014, based on European Directive 2005/64/EC.