SAGA COMMUNICATIONS INC
Form 8-K
November 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): November 3, 2011
SAGA COMMUNICATIONS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**1-11588**	**38-3042953**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

73 Kercheval Avenue **Grosse Pointe Farms, MI**	**48236**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: **(313) 886-7070**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 3, 2011, Saga Communications, Inc. issued a press release announcing its financial results for the three and nine months ended September 30, 2011. The press release, dated November 3, 2011, is attached as Exhibit 99.1 to this Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release dated November 3, 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SAGA COMMUNICATIONS, INC.

Dated: November 3, 2011

By: /s/ Samuel D. Bush
Samuel D. Bush
Senior Vice President,
Chief Financial Officer and Treasurer

INDEX OF EXHIBITS

Exhibit No.	**Description**
99.1	Press Release dated November 3, 2011.

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1st Line of Defense: operating areas, which identify and assess risk and establish specific actions for management of such risk;
2nd Line of Defense: central functions responsible for risk control, which define methodologies and instruments for managing and monitoring such risk;
3rd Line of Defense: internal audit, which conducts independent evaluations of the system in its entirety.

Report on Operations Risk Management, Risks and Control System 73

Principal Characteristics of the Internal Control System and Internal Control over Financial Reporting

CNH Industrial has in place a system of risk management and internal control over financial reporting based on the model provided by COSO, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives. In relation to the financial reporting process, reliability, accuracy, completeness and timeliness of the information contribute to the achievement of such corporate objectives. Risk management is an integral part of the internal control system. A periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework (Governance & Culture; Strategy & Objective-Setting; Performance; Review & Revision; and Information, Communication, & Reporting) in achieving those objectives.

CNH Industrial – which is listed on the NYSE and, consequently, is subject to Section 404 of the U.S. Sarbanes-Oxley Act since 2014 – has a system of administrative and accounting procedures in place that seeks to ensure a highly reliable system of internal control over financial reporting.

The approach adopted by CNH Industrial for the evaluation, monitoring and continuous updating of the system of internal control over financial reporting, is based on a 'top-down, risk-based' process consistent with the COSO Framework. This enables focus on areas of higher risk and/or materiality, where there is risk of significant errors, including those attributable to fraud, in the elements of the financial statements and related documents. The key components of the process are:

- identification and evaluation of the source and probability of significant errors in elements of financial reporting;
- assessment of the adequacy of key controls in enabling ex-ante or ex-post identification of potential misstatements in elements of financial reporting; and
- verification of the operating effectiveness of controls based on the assessment of the risk of misstatement in financial reporting, with testing focused on areas of higher risk.

Identification and evaluation of the risk of misstatements which could have material effects on financial reporting is carried out through a risk assessment process that uses a top-down approach to identify the organizational entities, processes and the related accounts, in addition to specific activities, which could potentially generate significant errors. Under the methodology adopted by CNH Industrial, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes that, as of December 31, 2018, the Company's internal control over financial reporting was effective.

CORPORATE GOVERNANCE

INTRODUCTION

CNH Industrial is a company, organized under the laws of the Netherlands, and results from a business combination with Fiat Industrial and CNH Global consummated on September 29, 2013 (the “Merger”). CNH Industrial qualifies as a foreign private issuer under the rules and regulations of the SEC and the New York Stock Exchange (“NYSE”) Listing Standards. Its common shares are listed on the NYSE and on the Mercato Telematico Azionario (“MTA”), managed by Borsa Italiana S.p.A.

CNH Industrial has adopted, except as discussed below, the best practice provisions of the Dutch Corporate Governance Code (the “DCGC”), which contains principles and best practice provisions that regulate relations between the board of directors of a listed Dutch company and its shareholders. In accordance with the NYSE Listed Company Manual, CNH Industrial as a listed company and foreign private issuer is permitted to follow home country practice with regard to certain corporate governance standards, whereas with respect to other corporate governance standards it is bound to comply with certain other provisions of the NYSE Listed Company Manual.

The DCGC is focused on companies with a two-tier governance structure. Since the Merger however, the Company has adopted (as permitted by the DCGC) a one-tier governance structure. This choice of a one-tier governance structure necessitated the implementation of certain governance solutions that are not typical of two-tier board frameworks (see Chapter 5 of the DCGC).

In this Annual Report CNH Industrial addresses its overall corporate governance structure. The Company discloses in this Annual Report, and intends to disclose in its future annual reports, any material departure from the best practice provisions of the DCGC.

BOARD OF DIRECTORS

Pursuant to CNH Industrial’s Articles of Association (“Articles of Association”), the Board of Directors may have three or more members. At the general meeting of shareholders on September 9, 2013, the number of the members of the Board of Directors was set at eleven. The Board’s two Executive Directors, Lady Heywood and Mr. Mühlhäuser, were elected at an Extraordinary General Meeting of Shareholders ("EGM") held on November 29, 2018. The Board’s eight Non-Executive Directors were appointed by the Company’s shareholders at the Annual General Meeting of Shareholders (“AGM”) on April 13, 2018. Pursuant to Article 13(3) of the Articles of Association, the term of office of all Directors shall be for a period of approximately one year after appointment, such period expiring on the day the first AGM is held in the following year. Accordingly, the term of office of the current Board of Directors expires on April 12, 2019, the anticipated date of the Company’s next AGM at which shareholders will appoint the Company’s Directors. Each Director may be re-appointed at any subsequent AGM.

The Board as a whole has collective responsibility for the strategy of the Company. During 2018, the Board reviewed and discussed with management, among other things, the long-term value creation strategies of certain of the Company’s individual business segments and regions.

The Non-Executive Directors believe that in consideration of the size of the Company, the complexity and specific characteristics of the segments in which it operates and the geographic distribution of its businesses, the Board of Directors should be composed of individuals with skills, experience and cultural background, both general and specific, acquired in an international environment and relevant to an understanding of the macro-economy and global markets, more generally, as well as the industrial and financial sectors, more specifically. An appropriate and diversified mix of skills, professional backgrounds and diversity factors (such as gender, race, ethnicity, and country of origin or nationality) are fundamental to the proper functioning of the Board as a collegial body. There should also be an appropriate balance between the number of Executive Directors and Non-Executive Directors. Moreover, independent Directors have an essential role in protecting the interests of all stakeholders. Their contribution is also necessary for the proper composition and functioning of the Committees, whose advisory functions include preliminary examination and formulation of proposals relating to areas of potential risk, such as prevention of potential conflicts of interest. In addition, with regard to diversity, it is generally recognized that boards with adequate diversity are more effective in performing their monitoring and advisory activities, due to the variety of professional experience, perspectives, insights, skills and connections to the outside world that diversity can add.

Report on Operations Corporate Governance 75

Report on Operations Corporate Governance 76

Report on Operations Corporate Governance 77

Considering the foregoing factors and the attributes of the individual Directors, the Board of Directors considers itself a diverse body, well-suited to fulfilling its duties. The Governance and Sustainability Committee periodically assesses the skills, experience and other attributes of the individual Directors with a view toward ensuring an appropriate level of diversity and ensuring the Directors have the necessary expertise to fulfill their respective duties. In 2018, the Governance and Sustainability Committee conducted such an assessment in connection with its evaluation of candidates to be recommended to the Board for nomination of appointment as a Director.

The Composition of the Board of Directors: Guidelines are available on the Company's website, www.cnhindustrial.com.

The Board of Directors is currently composed of two (20%) Executive Directors (i.e., who have been granted the titles "Chairperson" and "Chief Executive Officer"), having responsibility for the day-to-day management of the Company, and eight (80%) Non-Executive Directors, who have responsibility with respect to the Board's oversight function. Under Article 16 of the Articles of Association, the general authority to represent CNH Industrial shall be vested in the Board of Directors, as well as in each of the Executive Directors to whom the title Chairperson or Chief Executive Officer has been granted. Eight Directors (80%) qualified as independent under the NYSE Listing Standards and best practice provision 2.1.8 of the DCGC. The composition of the Non-Executive Directors is such that they are able to operate independently and critically with respect to one another, the Executive Directors, and any other particular interest involved; and in accordance with best practice provision 2.1.7 of the DCGC.

Pursuant to Article 14(2) of the Articles of Association, the Chairperson of the Board of Directors as referred to by law shall be a Non-Executive Director with the title "Senior Non-Executive Director". On April 13, 2018 the Board of Directors appointed Mr. Léo W. Houle as Senior Non-Executive Director for purposes of best practice provision 5.1.3, and in compliance with best practice provision 2.1.9, of the DCGC. The Senior Non-Executive Director is responsible for the proper functioning of the Board of Directors and its Committees.

On September 9, 2013, the Board of Directors of the Company appointed the following internal committees: (i) an Audit Committee, (ii) a Governance and Sustainability Committee, and (iii) a Compensation Committee.

On certain key industrial matters, the Board of Directors is advised by the Company's Global Executive Committee (formerly Group Executive Council, "GEC"). The GEC is an operational decision-making body of CNH Industrial, which is responsible for reviewing the operating performance of the businesses, and making decisions on certain operational matters.

The following chart shows the 2018 Board members and their attendance at Board meetings.

Board Member	Gerowin	Heywood	Houle	Kalantzis	Lanaway	Mühlhäuser	Scheiber	Tabellini	Tammenoms Bakker	Theurillat	Marchionne	Tobir
Attendance %	100%	87%	87%	100%	100%	100%	87%	100%	100%	87%	100%	100%

The Directors consider the evaluation of the Board, its Committees and members to be an important aspect of corporate governance. Each year, under the oversight of the Governance and Sustainability Committee and with the assistance of the Corporate Secretary, the Board undertakes an annual evaluation of its own effectiveness and performance, and that of the Committees and individual Directors. In 2018, the evaluation of the Board and its Committees consisted of a self-assessment by each of the bodies facilitated by written questionnaires. The questionnaires cover key functions such as overseeing personnel development, financial, and other major issues of strategy, risk, integrity, reputation and governance, and are designed to promote a robust and comprehensive performance assessment discussion. Assessments of individual Directors was performed through discussions between the Senior Non-Executive Director and each of the Directors. The Board of Directors discusses the results of such performance evaluations, in executive session, and agrees upon actions to take advantage of identified opportunities for improvement. The Executive Directors were not present during discussion among the Non-Executive Directors relating to the Executive Directors' performance.

The current composition of the Board of Directors is the following:

Suzanne Heywood, Chairperson (Executive-Director)

Lady Heywood was appointed Chairperson of CNH Industrial N.V., in July 2018. Lady Heywood became a Managing Director of EXOR in 2016. Prior to that she worked at McKinsey & Company which she joined as an associate in

1997 and left as a Senior Partner (Director) in 2016. Lady Heywood co-led McKinsey's global service line on organization design for several years and also worked extensively on strategic issues with clients across different sectors. She has published a book, "Reorg," and multiple articles on these topics and has also acted as a visiting lecturer at Tsinghua University in Beijing. Lady Heywood started her career in the U.K. Government as a Civil Servant in the U.K. Treasury. At the Treasury, she worked as Private Secretary to the Financial Secretary (who is responsible for all direct taxation issues) as well as leading thinking on the Government's privatization policy and supporting the Chancellor in his negotiations at ECOFIN (the meeting of European Finance Ministers) in Brussels. Prior to that she studied science at Oxford University (BA) and then at Cambridge University (PhD). Lady Heywood is also a Board Member of The Economist (where she is an Audit Committee member), a non-executive director of Chanel, a director of the Royal Opera House (where she is the Deputy Chair) and of the

Royal Academy of Arts Trust. She grew up sailing around the world for ten years on a yacht with her family recreating Captain James Cook's third voyage around the world. Born in 1969, British citizenship. Date of first appointment: April 15, 2016.

Hubertus Mühlhäuser, Chief Executive Officer (Executive-Director)

Hubertus Mühlhäuser is the Chief Executive Officer of CNH Industrial N.V. since September 2018. Mr. Mühlhäuser brings extensive leadership experience at multinational industrial companies and a deep knowledge of the agricultural and construction sector, as well as strategic expertise. Prior to joining CNH Industrial, he was President, CEO and Director of Welbilt Inc., a leading manufacturer of food service equipment, in 2015. Before joining Welbilt Inc., he dedicated two years to his family business, the tunneling specialist Mühlhäuser Holding Ltd., which he successfully restructured. From 2006 to 2013 he held positions of increasing importance at AGCO Corporation, a global agricultural equipment manufacturer. Initially Hubertus was the Senior Vice President of Strategy and Integration and was subsequently appointed Senior Vice President of AGCO's global engine division. In 2009, he assumed the role of Senior Vice President Eastern Europe and Asia, and in 2012 became Head of Europe, Middle East and Africa, AGCO's largest business region. Hubertus Mühlhäuser started his career at Arthur D. Little in Zurich, Switzerland in 1994, where he was appointed Global Head of the Strategy & Organization practice in 2000. He was also a member of the Global Executive Team. Mr. Mühlhäuser, who is fluent in four languages, holds an MBA from the European Business School of Wiesbaden and Oestrich-Winkel. He is Non-Executive Chairman of Mühlhäuser Holding Ltd., of Freienbach, Switzerland, and serves on the Board of Cormoran de Bilbao SL, of Bilbao, Spain. He is also a Member of the Board of the National Association of Manufacturers (NAM), Washington D.C., U.S.A., a member of the Business Roundtable and serves on the Board of Trustees of the University of Tampa, Florida, U.S.A. Born in 1969, German and Swiss citizenship. Date of first appointment: November 29, 2018.

Jacqueline A. Tammenoms Bakker, Director (Non-Executive Director—independent), Member of the Governance and Sustainability Committee

Jacqueline A. Tammenoms Bakker was a Director of Fiat Industrial S.p.A. from April 5, 2012 until the merger of the company into CNH Industrial. Jacqueline A. Tammenoms Bakker studied at Oxford University (BA) and the Johns Hopkins School for Advanced International Studies in Washington D.C. (MA). She joined Shell International in 1977 holding a number of positions in the Netherlands, the U.K. and Turkey. In 1989, she joined McKinsey where she worked as a consultant in the U.K. and the Netherlands until 1995 when she was appointed Vice-President Food Europe at Quest International (Unilever) in the Netherlands. In 1999, she moved to the public sector in the Netherlands, firstly as Director of GigaPort (a public-private initiative to roll out broadband networks), and then as Director-General of Freight Transport (2001-2004) and Director-General of Civil Aviation and Freight Transport (2004-2007) at the Dutch Ministry of Transport. In 2006, she was awarded the Légion d'Honneur for her contribution to cooperation between the Netherlands and France, and in 2006/2007 she chaired the High Level Group on the regulatory framework for civil aviation reporting to the EU Commissioner for Transport. Since 2008 Ms. Tammenoms Bakker has been an independent Board member; she is currently a Board member of TomTom (NL), Unibail Rodamco (FR), Groupe Wendel (FR) and Chairman of the Van Leer Group Foundation (NL). Previously she was a Board member of Vivendi (FR) (2010-2014) and Tesco PLC (U.K.) (2009-2015). Born in 1953, Dutch citizenship. Date of first appointment: September 29, 2013.

Mina Gerowin, Director (Non-Executive Director—independent), Member of the Governance and Sustainability Committee

Ms. Gerowin has an A.B. from Smith College in Political Economy, a J.D. from the University of Virginia School of Law and an M.B.A. from Harvard Business School where she was a Baker Scholar. She practiced law in Switzerland and New York, then worked as Investment Banker in International Mergers and Acquisitions at Lazard Frères in New York and Paris. Ms. Gerowin formed her own consulting and investing company, completing five LBO transactions and participated in their direction as an officer and director. After their sale, she consulted internationally. Ms. Gerowin was a Managing Director of Paulson Europe LLP in London working on event, credit, distressed, recovery and merger arbitrage. She joined Paulson & Co. in 2004 helping establish the hedge fund's Event fund. Mina Gerowin is a member of the global board of 100 Women in Finance and a member of the Advisory Board of the Royal United Services Institute. She is a former Director of EXOR S.p.A., Lafarge S.A. and a former member of the Global

Advisory Committee of Samsung Asset Management. Born in 1951, American and British citizenship. Date of first appointment: September 29, 2013.

Léo W. Houle, Director (Senior Non-Executive Director—independent), Chairperson of the Compensation Committee, Chairperson of the Governance and Sustainability Committee

Mr. Houle was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. On September 6, 2011, Mr. Houle was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC until June 2016 when all public debt of the company was repaid and its public listing ceased. Mr.

Houle was Chief Talent Officer of BCE Inc. and Bell Canada, Canada's largest communications company, from June 2001 until his retirement in July 2008. Prior to joining BCE and Bell Canada, Mr. Houle was Senior Vice-President, Corporate Human Resources of Algroup Ltd., a Swiss-based diversified industrial company. From 1966 to 1987, Mr. Houle held various managerial positions with the Bank of Montreal, the last of which was Senior Manager, Human Resources, Administration Centers. In 1987, Mr. Houle joined the Lawson Mardon Group Limited and served as Group Vice-President, Human Resources until 1994 when Algroup Ltd. acquired Lawson Mardon Group at which time he was appointed Head of Human Resources for the packaging division of Algroup and in 1997 Head of Corporate Human Resources of Algroup, Ltd. Mr. Houle completed his studies at the College Saint Jean in Edmonton, attended the Executive Development Program in Human Resources at the University of Western Ontario in 1987 and holds the designation of Certified Human Resources Professional (CHRP) from the Province of Ontario. Born in 1947, Canadian citizenship. Date of first appointment: September 29, 2013.

Peter Kalantzis, Director (Non-Executive Director—independent), Member of the Audit Committee, Member of the Compensation Committee

Mr. Kalantzis was a Director of CNH Global N.V. from April 7, 2006 until the merger of the company into CNH Industrial. Mr. Kalantzis has been a non-executive member of various boards of directors since 2001. Prior to 2000, he was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan. Mr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991, Mr. Kalantzis was appointed Executive Vice-President and member of the Executive Committee of the Alusuisse-Lonza Group. Between 1971 and 1990 he held a variety of positions at Lonza Ltd. in Basel. Mr. Kalantzis is Chairman of the Board of SGS Ltd., Geneva (Switzerland); Chairman of the Board of Clair Ltd., Cham (Switzerland); Chairman of Von Roll Holding Ltd., Breitenbach (Switzerland); Chairman of Degussa Sonne/Mond Goldhandel AG, Cham (Switzerland); Chairman of Hardstone Services, SA, Geneva (Switzerland); he is a member of the Board of Paneuropean Oil and Industrial Holdings, Luxembourg and of Consolidated Lamda Holdings (Luxembourg). He is also President of the Board of John S. Latsis Public Benefit Foundation, Vaduz (Liechtenstein). From 1993 until 2002, he served on the Board of the Swiss Chemical and Pharmaceutical Association as Vice-President and in 2001-2002 as President. Mr. Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971. Born in 1945, Swiss and Greek citizenship. Date of first appointment: September 29, 2013.

John Lanaway, Director (Non-Executive Director—independent), Member of the Audit Committee

Mr. Lanaway was elected a director of CNH Industrial N.V. in September 2013. Mr. Lanaway previously served as a director of CNH Global N.V. from 2006 to 2013. On September 6, 2011, Mr. Lanaway was appointed to the Board of Directors of Chrysler Group LLC now known as FCA US LLC until June 2016 when all public debt of the company was repaid and its public listing ceased. His work and academic background includes: 2011–Present, independent consultant; 2007-2011, Executive Vice President and Chief Financial Officer, North America at McCann Erickson; 2001-2007, various positions of increasing responsibility at Ogilvy North America, finally as Senior Vice President and Chief Financial Officer; 1999-2001, Chief Financial Officer and Senior Vice President at Geac Computer Corporation Limited; 1997-1999, Chief Financial Officer at Algorithmics Incorporated; 1995-1997, Senior Vice President and Chief Financial Officer at Spar Aerospace; 1993-1994, Sector Vice President, Labels North America at Lawson Mardon Group Limited; 1989-1993, Group Vice President and Chief Financial Officer at Lawson Mardon Group Limited; 1988-1989, General Manager at Lawson Mardon Graphics; 1985-1988, Vice President, Financial Reporting and Control at Lawson Mardon Group Limited; 1980-1985, Client Service Partner at Deloitte; and 1971-1980 Student-Staff Accountant-Supervisor-Manager at Deloitte. Mr. Lanaway graduated from the Institute of Chartered Accountants of Ontario, C.A. and has a Bachelor of Arts degree from the University of Toronto. Born in 1950, American, Canadian and British citizenship. Date of first appointment: September 29, 2013.

Silke C. Scheiber, Director (Non-Executive Director—independent), Member of the Audit Committee

Silke C. Scheiber was at Kohlberg Kravis Roberts & Co. LLP, London, U.K. ("KKR") from July 1999 to December 2015. She was a Member and Head of the European Industrials Group, responsible for identifying and executing a number of investment opportunities within the broader industrials space for KKR's European private equity funds.

From 1996 to 1999, Ms. Scheiber worked as a financial analyst at Goldman, Sachs & Company oHG, Frankfurt, Germany. Ms. Scheiber obtained her M.B.A. from the University of St. Gallen in St. Gallen, Switzerland, majoring in Finance and Accounting. Ms. Scheiber also attended the Ecole des Hautes Etudes Commerciales (HEC) in Paris, France where she majored in European Management and International Business Studies. Ms. Scheiber currently holds a non-executive director role with Jungbunzlauer Holding AG, Basel, Switzerland and sits on the Board of Micro Focus International PLC, Newbury, England. Born in 1973, Austrian citizenship. Date of first appointment: April 15, 2016.

Guido Tabellini, Director (Non-Executive Director—independent), Member of the Compensation Committee

Guido Tabellini was a Director of Fiat Industrial S.p.A. from March 10, 2011 until the merger of the company into CNH Industrial. Guido Tabellini is a professor at Università Bocconi, where he also served as Rector from November 2008 to October 2012. Also at Bocconi, he served as Director and then President of the Innocenzo Gasparini Institute for Economic Research (IGIER). Prior to that, Mr. Tabellini taught at Stanford University, UCLA, Università di Cagliari and Università di Brescia. He has been a research fellow and advisor for numerous international organizations and research institutes and was a member of the Council of Economic Advisors to the Italian Prime Minister, of the Privatization Committee and of the Advisory Panel on Public Expenditures to the Italian Ministry of the Economy. Mr. Tabellini received a Ph.D. in Economics from UCLA in 1984. He is a Fellow of the Econometric Society, a Foreign Honorary Fellow of the American Economic Association and a Foreign Honorary Member of the American Academy of Arts and Sciences. He has won the Y. Jahnsson Award from the European Economic Association and is also a former President of the European Economic Association. Mr. Tabellini has published numerous articles and books on macro-economics and political, international and public economics. He is also a columnist for Il Sole 24 Ore. Board memberships at other listed companies: CIR. Born in 1956, Italian citizenship. Date of first appointment: September 29, 2013.

Jacques Theurillat, Director (Non-Executive Director—independent), Chairperson of the Audit Committee

Jacques Theurillat is a member of the Boards of Vifor Pharma AG, Mundipharma Ltd., CNH Industrial N.V. and ADC Therapeutics S.A. He is a Partner at Sofinnova Crossover Found, an investment fund focused on life sciences. From April 2008 to August 2015, Mr. Theurillat served as CEO of Ares Life Sciences AG, a privately- owned investment fund with the objective to build and manage a portfolio of companies in life sciences. From March 2007 to March 2008, he has served as CEO and Chairman of Albea Pharmaceuticals AG, a Swiss company involved in venture financing for life sciences companies. Mr. Theurillat served as Serono’s SA Deputy CEO until December 2006. In addition to his role as Deputy CEO, he was appointed Senior Executive Vice President, Strategic Corporate Development in May 2006 and was responsible for developing Serono’s global strategy and pursuing its acquisition and in-licensing initiatives. From 2002 to 2006, Mr. Theurillat served as Serono’s President of European and International Sales & Marketing. In this position, he was responsible for Serono’s commercial operations in Europe, IBO, Asia-Pacific, Oceania/Japan, Latin America and Canada. He became a Board member in May 2000. From 1996 to 2002, Mr. Theurillat was Chief Financial Officer. He previously served as Managing Director of the Istituto Farmacologico Serono in Rome, where he started in 1994. In 1993, he was appointed Vice President Taxes and Financial Planning for Serono. In 1990-1993, Mr. Theurillat worked outside Serono, running his own law and tax firm. Before that, he was Serono’s Corporate Tax Director, a post to which he was appointed in 1988. He first joined Serono in 1987 as a Corporate Lawyer working on projects such as the company’s initial public offering. Mr. Theurillat is a Swiss barrister and holds Bachelor of Law degrees from both Madrid University and Geneva University. He also holds a Swiss Federal Diploma (Tax Expert) and has a Master’s degree in Finance. Born in 1959, Swiss citizenship. Date of first appointment: September 29, 2013.

BOARD REGULATIONS

On September 9, 2013, the Board of Directors adopted regulations governing the operations of the Board of Directors and its Committees.

The regulations contain provisions concerning the manner in which meetings of the Board of Directors are called and held, including the decision-making process. The regulations provide that meetings may be held by telephone conference or video-conference, provided that all participating Directors can follow the proceedings and participate in real-time discussion of the items on the agenda.

The Board of Directors can only transact business, including the adoption of resolutions, if a majority of the Directors in office shall be present at the Board meeting or be represented at such meeting.

A member of the Board of Directors may only be represented by a co-member of the Board of Directors authorized in writing.

The expression in writing shall include any message transmitted by current means of communication.

A member of the Board of Directors may not act as proxy for more than one co-member.

All resolutions shall be adopted by the favorable vote of the majority of the Directors present or represented at the meeting, provided that the regulations may contain specific provisions in this respect. Each Director shall have one vote.

The Board of Directors shall be authorized to adopt resolutions without convening a meeting if all Directors shall have expressed their opinions in writing, unless one or more Directors shall object to a resolution being adopted in this way. The regulations are available on the Company's website, www.cnhindustrial.com.

THE AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors' oversight of: (i) the integrity of the Company's financial statements, (ii) the Company's policy on tax planning, (iii) the Company's financing, (iv) the Company's application of information and communication technology, (v) the systems of internal controls that management and the Board of Directors have established, (vi) the Company's compliance with legal and regulatory requirements, (vii) the Company's compliance with recommendations and observations of internal and external auditors, (viii) the Company's policies and procedures for addressing certain actual or perceived conflicts of interest, (ix) the independent auditors' qualifications, independence, remuneration and any non-audit services for the Company, (x) the performance of the Company's internal audit function and of the independent auditors, (xi) risk management guidelines and policies, and (xii) the implementation and effectiveness of the Company's ethics and compliance program. The Company has established a separate department for the internal audit function and the head of the internal audit function reports to the Audit Committee, which reviews and approves the annual internal audit plan.

The Audit Committee currently consists of Messrs. Theurillat (Chairperson), Kalantzis, Lanaway, and Ms. Scheiber.

The Audit Committee is elected by the Board of Directors and is comprised of at least three members who may be appointed for terms of up to two years, each of whom must be a Non-Executive Director. Members of the Audit Committee may be reappointed. Audit Committee members are also required (i) not to have any material relationship with the Company or to serve as auditors or accountants for the Company, (ii) to be "independent", under the NYSE Listing Standards, Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the DCGC, and (iii) to be "financially literate" and have "accounting or selected financial management expertise" (as determined by the Board of Directors). At least one member of the Audit Committee shall be a "financial expert" as defined in the Sarbanes-Oxley Act and the rules of the SEC and best practice provision 2.1.4 of the DCGC. No Audit Committee member may serve on more than four audit committees for other public companies, absent a waiver from the Board of Directors, which must be disclosed in the annual report on Form 20-F. Unless decided otherwise by the Audit Committee, the Company's independent auditors as well as the Chief Financial Officer, the Corporate Secretary and other Company officers attend its meetings.

Each of the members of the Audit Committee are independent. In addition, the Board has designated each of the members of the Audit Committee as a "financial expert".

During 2018, the Audit Committee, inter alia, reviewed and discussed the annual and quarterly financial statements (and the independent auditors' review or audit thereof), the key risks and controls relating to the Company's information systems, and the appropriateness and completeness of the system of internal control, the performance of the Company's internal audit function, the performance of the Company's independent public auditors, and the implementation and effectiveness of the Company's ethics and compliance program.

The following chart shows the 2018 Audit Committee members and their attendance at Committee meetings.

Audit Committee Member	Theurillat	Kalantzis	Lanaway	Scheiber
Attendance:	100%	100%	89%	89%

THE COMPENSATION COMMITTEE

The Compensation Committee is responsible for, among other things, assisting the Board of Directors in: (i) determining executive compensation consistent with the Company's remuneration policy, (ii) reviewing and recommending for approval the compensation of Executive Directors, (iii) administering equity incentive plans and deferred compensation benefit plans, and (iv) discussing with management the Company's policies and practices related to compensation and issuing recommendations thereon.

The Compensation Committee currently consists of Mr. Houle (Chairperson), and Mr. Kalantzis, and Mr. Tabellini.

The Compensation Committee is elected by the Board of Directors and is comprised of at least three Directors. No more than one member may be non-independent under the NYSE Listing Standards and the DCGC. The members of the Compensation Committee are appointed for terms of up to two years. Members of the Compensation Committee may be reappointed. Unless decided otherwise by the Compensation Committee, the Chief Human Resources Officer for the Company and the Corporate Secretary attend its meetings.

All members of the Compensation Committee are independent.

The Compensation Committee shall meet at least once every year. The following chart shows the 2018 Compensation Committee members and their attendance at Committee meetings.

Compensation Committee Member	Heywood	Houle	Kalantzis	Tabellini
Attendance:	100%	100%	100%	100%

THE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Governance and Sustainability Committee is responsible for, among other things, assisting the Board of Directors with: (i) the identification of the criteria, professional and personal qualifications for candidates to serve as Directors of the Company, (ii) periodic assessment of the size and composition of the Board of Directors, (iii) periodic assessment of the functioning of individual Board members and reporting on this to the Board of Directors, (iv) proposals for appointment of Executive and Non-Executive Directors, (v) supervision of the selection criteria and appointment procedure for senior management, (vi) monitoring and evaluating reports on the Group's sustainable development policies and practices, management standards, strategy, performance and governance globally, and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the Company's annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Mr. Houle (Chairperson), Ms. Gerowin, and Ms. Tammenoms Bakker. The Governance and Sustainability Committee is elected by the Board of Directors and is comprised of at least three Directors. No more than two members may be non-independent under the NYSE Listing Standards and the DCGC, and none of the members may be Executive Directors. The members of the Governance and Sustainability Committee are appointed for terms of up to two years. Members of the Governance and Sustainability Committee may be reappointed.

All members of the Governance and Sustainability Committee are independent.

The Governance and Sustainability Committee shall meet at least one time every year. The following chart shows the 2018 Governance and Sustainability Committee members and their attendance at Committee meetings.

Governance & Sustainability Committee Member	Gerowin	Heywood	Houle	Tammenoms Bakker
Attendance:	100%	66%	100%	100%

In addition, as described above, the charters of the Audit Committee, Compensation Committee and Governance and Sustainability Committee set forth independence requirements for their members for purposes of the DCGC. Audit Committee members are also required to qualify as independent under the NYSE Listing Standards and Rule 10A-3 of the Exchange Act.

THE GLOBAL EXECUTIVE COMMITTEE

CNH Industrial has established the Global Executive Committee (formerly Group Executive Council, "GEC") to strengthen the quality of the Company's decision-making and the implementation of its strategy.

The GEC is an operational decision-making body of CNH Industrial, which is responsible for reviewing the operating performance of the businesses, and making decisions on certain operational matters. The Board of Directors remains accountable for the decisions of the GEC and has ultimate responsibility for the Company's management and external reporting. The GEC is comprised of CNH Industrial's Chief Executive Officer, and key senior managers.

The GEC is effectively supervised by the Non-Executive Directors of the Board of Directors. For this purpose, the GEC, through the Executive Directors, provides the Non-Executive Directors with all information the Non-Executive Directors require to fulfill their responsibilities. During 2018, the leaders of various Segments and business units (all GEC members) presented to the Board their operating results, business plans, and long-term value creation strategies as well as their top short-term and medium-term operational and strategic risks. The presentations allowed management to articulate their strategies for achievement of their business objectives and mitigation of risks and permitted the Board of Directors to give feedback on management's plans.

AMOUNT AND COMPOSITION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

Details of the remuneration of the Board of Directors and its Committees are set forth under the section Remuneration of Directors. Non-Executive Directors are not awarded remuneration in the form of shares and/or rights to shares (they are paid only in cash) and their compensation is not affected by Company results.

INDEMNIFICATION OF MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to Article 17 of the Articles of Association, the Company has committed to indemnify any and all of its Directors, officers, former Directors, former officers and any person who may have served at its request as a Director or officer of another company in which it owns shares or of which it is a creditor, against any and all expenses actually and necessarily incurred by any of them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been Director or officer of the

Company, or of such other company, except in relation to matters as to which any such person shall be adjudged in such action, suit or proceeding to be liable

Report on Operations Corporate Governance 83

for negligence or misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified persons may be entitled otherwise.

CONFLICT OF INTEREST

A member of the Board of Directors shall not participate in discussions and decision making with respect to a matter in relation to which he or she has a direct or indirect personal interest that is in conflict with the interests of the Company and the business associated with the Company ("Conflict of Interest").

In addition, the Board of Directors as a whole may, on an ad hoc basis, resolve that there is such a strong appearance of a Conflict of Interest of an individual member of the Board of Directors in relation to a specific matter, that it is deemed in the best interest of a proper decision making process that such individual member of the Board of Directors be excused from participation in the decision making process with respect to such matter even though such member of the Board of Directors may not have an actual Conflict of Interest.

At least annually, each Director shall assess in good faith whether (i) he or she is independent under (A) best practice provision 2.1.8. of the DCGC, (B) the requirements of Rule 10A-3 under the Exchange Act, and (C) Section 303A of the NYSE Listed Company Manual; and (ii) he or she would have a Conflict of Interest in connection with any transactions between the Company and a significant shareholder or related party of the Company, including affiliates of a significant shareholder (such conflict, a "Related-Party Conflict"), it being understood that currently EXOR N.V. would be considered a significant shareholder.

The Directors shall inform the Board through the Chairperson or the Corporate Secretary as to all material information regarding any circumstances or relationships that may impact their characterization as "independent", or impact the assessment of their interests, including by responding promptly to the annual director and officer questionnaires circulated by or on behalf of the Chairperson that are designed to elicit relevant information regarding business and other relationships (the "Formal Annual Assessment").

In addition, the Company has adopted a Conflict of Interest Policy that covers the Company's directors, officers and employees. Under the Policy directors are required to promptly disclose to the Company's Chief Compliance Officer any conflict of interest (defined as when an individual's personal interest or activity interferes with, or even appears to interfere with, the interests of the Company). The Chief Compliance Officer is to refer to the Company's other directors any transaction or potential conflict of interest involving a director. Such other directors are to review the applicable facts and determine whether a conflict of interest exists with respect to such director.

Based on each Director's Formal Annual Assessment described above, the Board shall make a determination at least annually regarding such Director's independence and such Director's Related-Party Conflict. These annual determinations shall be conclusive absent a change in circumstances from those disclosed to the Board that necessitates a change in such determination. Each year, the Governance and Sustainability Committee considers, among other things, the Directors' Formal Annual Assessment and any other disclosures when considering candidates to be recommended to the Board for appointment as Directors. In 2019, the Governance and Sustainability Committee and the Board considered such disclosures in February and determined that no Conflict of Interest existed.

LOYALTY VOTING STRUCTURE

In connection with the Merger, CNH Industrial implemented a loyalty voting structure, pursuant to which the former shareholders of each of Fiat Industrial and CNH Global were able to elect to receive one CNH Industrial special voting share with a nominal value of €0.01 per share for each CNH Industrial common share they were entitled to receive in the Merger, provided that they fulfilled the requirements described in the terms and conditions of the special voting shares. The CNH Industrial common shares held by shareholders that elected to receive loyalty shares were registered in a separate register (the "Loyalty Register") of CNH Industrial's share register. Following this registration, a corresponding number of special voting shares were allocated to such shareholders, and the additional voting rights could be exercised at the first CNH Industrial shareholders' meeting that followed the registration. By signing an election form, whose execution was necessary to elect to receive special voting shares, shareholders also agreed to be bound by the terms and conditions thereof, including the transfer restrictions described below. The terms and conditions applicable to special voting shares are available on the Company's website (www.cnhindustrial.com).

Following the completion of the Merger, CNH Industrial shareholders may at any time elect to participate in the loyalty voting structure by requesting that CNH Industrial registers all or some of their CNH Industrial common shares in the Loyalty Register. If these CNH Industrial common shares have been registered in the Loyalty Register (and thus blocked from trading in the regular trading system) for an uninterrupted period of three years in the name of the same shareholder, such shares become eligible to receive special voting shares (the "Qualifying Common Shares") and the relevant shareholder will be entitled to receive one special voting share for each such Qualifying Common Share. If at any time such CNH Industrial common shares are de-registered from the Loyalty Register for whatever reason, the relevant shareholder shall lose his/her/its entitlement to hold a corresponding number of special voting shares.

A holder of Qualifying Common Shares may at any time request the de-registration of some or all such shares from the Loyalty Register, which will allow such shareholder to freely trade its CNH Industrial common shares. From the moment of such request, the holder of Qualifying Common Shares shall be considered to have waived his/her/its rights to cast any votes in respect of any special voting shares associated with such Qualifying Common Shares. Upon the de-registration from the Loyalty Register, the relevant shares will therefore cease to be Qualifying Common Shares. Any de-registration request would automatically trigger a mandatory transfer requirement pursuant to which the special voting shares will be acquired by CNH Industrial for no consideration (om niet) in accordance with the terms and conditions of the special voting shares.

CNH Industrial's common shares are freely transferable. However, any transfer or disposal of CNH Industrial's common shares with which special voting shares are associated would trigger the de-registration of such common shares from the Loyalty Register and the transfer of all applicable special voting shares to CNH Industrial. Special voting shares are not admitted to listing and are transferable only in very limited circumstances. In particular, no shareholder shall, directly or indirectly: (a) sell, dispose of, or transfer any special voting share or otherwise grant any right or interest therein; or (b) create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over any special voting share or any interest in any special voting share.

The purpose of the loyalty voting structure is to grant long-term CNH Industrial shareholders an extra voting right by means of granting, upon request, a special voting share (shareholders holding special voting shares are entitled to exercise one vote for each special voting share held and one vote for each CNH Industrial common share held) for each common share held for an uninterrupted period of three years. The special voting shares do not have any other economic entitlement except for those entitlements set forth in the Articles of Association. Under the Articles of Association holders of special voting shares are entitled to a minimum dividend, which is allocated to a separate special dividend reserve (the "Special Dividend Reserve"). The distribution of dividends from the Special Dividend Reserve can only be approved by the general meeting of the holders of special voting shares upon proposal of the Board of Directors. The power to vote upon the distribution from the Special Dividend Reserve is the only power that is granted to that meeting, which can only be convened by the Board of Directors as it deems necessary.

Section 10 of the special voting shares terms and conditions includes liquidated damages provisions intended to discourage any attempt by holders of special voting shares to violate the terms thereof. These liquidated damages provisions may be enforced by CNH Industrial by means of a legal action brought by the Company in the courts of the Netherlands. In particular, a violation of the provisions of the above-mentioned terms and conditions concerning the transfer of special voting shares may lead to the imposition of liquidated damages.

Pursuant to Section 12 of the special voting shares terms and conditions, any amendment to the terms and conditions (other than merely technical, non-material amendments) may only be made with the approval of the general meeting of shareholders of CNH Industrial.

A shareholder must promptly notify CNH Industrial upon the occurrence of a change of control, which is defined in Article 4(1)(n) of the Articles of Association as including any direct or indirect transfer, carried out through one or a series of related transactions, by a CNH Industrial shareholder that is not an individual (natuurlijk persoon) of (i) the ownership or control of 50% or more of the voting rights of such shareholder, (ii) the de facto ability to direct the casting of 50% or more of the votes which may be expressed at the general meetings of such shareholder, or (iii) the ability to appoint or remove half or more of the Directors, Executive Directors or Board members or executive officers of such shareholder or to direct the casting of 50% or more of the voting rights at meetings of the Board, governing body or executive committee of such shareholder. In accordance with Article 4(1)(n) of the Articles of Association, no change of control shall be deemed to have occurred if (i) the transfer of ownership and/or control is the result of the succession or the liquidation of assets between spouses or the inheritance, inter vivos donation or other transfer to a spouse or a relative up to and including the fourth degree or (ii) the fair market value of the Qualifying Common Shares held by the relevant CNH Industrial's shareholder represents less than 20% of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares, in the sole judgment of CNH Industrial, are not otherwise material to the Transferred Group or the change of control transaction. Article 4(1)(n) of the Articles of Association defines "Transferred Group" as comprising the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction, as such term in defined in Article

4(1)(n) of CNH Industrial's Articles of Association. A change of control will trigger the de-registration of the applicable Qualifying Common Shares from the Loyalty Register and the suspension of the special voting rights attached to such Qualifying Common Shares.

If the Company were to be dissolved and liquidated, after all the debts of the Company have been paid, any remaining balances would be distributed in the following order of priority: (i) first, to satisfy the aggregate balance of share premium reserves and other reserves than the Special Dividend Reserve to the holders of CNH Industrial common shares in proportion to the number of common shares held by each of them; (ii) second, an amount equal to the aggregate amount of the nominal value of the CNH Industrial common shares to the holders thereof in proportion to the number of common shares held by each of them; (iii) third, an amount equal to the aggregate amount of the Special Dividend Reserve to the holders of special voting shares in proportion to the number of special voting shares held by each of them; and (iv) fourth, the aggregate amount of the nominal value of the special voting shares to the holders thereof in proportion to the number of special voting shares held by each of them. No liquidation payments will be made on shares that the Company holds in treasury.

GENERAL MEETING OF SHAREHOLDERS

At least one general meeting of Company shareholders shall be held every year, which meeting shall be held within six months after the close of the prior financial year.

Furthermore, general meetings of shareholders shall be held in the situations referred to in Article 2:108a of the Dutch Civil Code and as often as the Board of Directors, the Chairperson, the Senior Non-Executive Director or the Chief Executive Officer deems it necessary to hold them, without prejudice to what has been provided in the next paragraph hereof.

Shareholders solely or jointly representing at least ten percent (10%) of the Company's issued share capital may request the Board of Directors, in writing, to call a general meeting of shareholders, stating the matters to be dealt with.

If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorized by the interim provisions judge of the court (voorzieningenrechter van de rechtbank) to convene a general meeting of the Company's shareholders. The interim provisions judge (voorzieningenrechter van de rechtbank) shall reject the application if he/she is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a general meeting of shareholders.

General meetings of shareholders shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport), and shall be called by the Board of Directors, the Chairperson, the Senior Non-Executive Director or the Chief Executive Officer, in such manner as is required to comply with the law and the applicable stock exchange regulations, not later than on the forty-second day prior to the meeting.

All convocations of meetings of shareholders and all announcements, notifications and communications to Company shareholders shall be made by means of an announcement on the Company's website and such announcement shall remain accessible until the relevant general meeting of shareholders. Any communication to be addressed to the general meeting of shareholders by virtue of law or the Articles of Association, may be either included in the notice (referred to in the preceding sentence) or, to the extent provided for in such notice, on the Company's website and/or in a document made available for inspection at the office of the Company and such other place(s) as the Board of Directors shall determine.

Convocations of meetings of shareholders may be sent to shareholders through the use of an electronic means of communication to the address provided by such shareholders to the Company for this purpose.

The notice shall state the place, date and hour of the meeting and the agenda of the meeting as well as the other information required by law.

An item proposed in writing by such number of shareholders who, by law, are entitled to make such proposal, shall be included in the notice or shall be announced in a manner similar to the announcement of the notice, provided that the Company has received the relevant shareholder's request, including the reasons for putting the relevant item on the agenda, no later than the sixtieth day before the day of the meeting.

The agenda of the Annual General Meeting shall contain, inter alia, the following items:

a) adoption of the Company's annual accounts;
b) granting of discharge to the members of the Board of Directors in respect of the performance of their duties in the relevant financial year;
c) the policy of the Company on additions to reserves and on dividends, if any;
d) if applicable, the proposal to pay a dividend;
e) if applicable, discussion of any substantial change in the corporate governance structure of the Company;
f) the appointment of Directors; and
g) any matters decided upon by the person(s) convening the meeting and any matters placed on the agenda with due observance of applicable Dutch laws.

The Board of Directors shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Board of Directors invokes an overriding interest, it must provide shareholders with details of the overriding interest.

When convening a general meeting of shareholders, the Board of Directors shall determine that, for the purpose of Article 18 and Article 19 of the Articles of Association, persons with the right to vote or attend meetings shall be considered those persons who have these rights at the twenty-eighth day prior to the day of the meeting (the "Record Date") and are registered as such in a register to be designated by the Board of Directors for such purpose, irrespective of whether they will have these rights at the date of the meeting. In addition to the Record Date, the notice of the meeting shall further state the manner in which Company shareholders and other parties with meeting rights may have themselves registered and the manner in which those rights can be exercised.

The general meeting of shareholders shall be presided over by the Senior Non-Executive Director or, in his/her absence, by the person chosen by the Board of Directors to act as chairperson for such meeting.

One of the persons present designated for that purpose by the chairperson of the meeting shall act as secretary and take minutes of the business transacted. The minutes shall be confirmed by the chairperson of the meeting and the secretary and signed by them in witness thereof.

The minutes of the general meeting of shareholders shall be made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three months. The minutes shall then be adopted in the manner as described in the preceding paragraph.

If an official notarial record is made of the business transacted at the shareholders' meeting then minutes need not be drawn up and it shall suffice that the official notarial record be signed by the notary. Each Director shall at all times have power to give instructions for having an official notarial record made at the Company's expense.

As a prerequisite to attending the meeting and, to the extent applicable, exercising voting rights, shareholders entitled to attend the meeting shall be obliged to inform the Board of Directors in writing within the time mentioned in the convening notice. At the latest, this notice must be received by the Board of Directors on the day specified in the convening notice.

Shareholders and those permitted by law to attend the shareholders' meeting may cause themselves to be represented at any meeting by a proxy duly authorized in writing, provided they shall notify the Company in writing of their wish to be represented at such time and place as shall be stated in the notice of the meeting. For the avoidance of doubt, such attorney is also authorized in writing if the proxy is documented electronically. The Board of Directors may determine further rules concerning the deposit of the powers of attorney and any such additional rules shall be mentioned in the notice of the meeting.

The Company, as a foreign private issuer, is exempt from the proxy rules under the U.S. Securities Exchange Act of 1934, as amended.

The chairperson of the meeting of shareholders shall decide on the admittance to the meeting of persons other than those who are entitled to attend.

For each general meeting of shareholders, the Board of Directors may decide that shareholders shall be entitled to attend, address and exercise voting rights at such meeting through the use of electronic means of communication, provided that shareholders who participate in the meeting are capable of being identified through the electronic means of communication and have direct cognizance of the discussions at the meeting and the exercising of voting rights (if applicable). The Board of Directors may set requirements for the use of electronic means of communication and state these in the convening notice. Furthermore, the Board of Directors may for each meeting of shareholders decide that votes cast by the use of electronic means of communication prior to the meeting and received by the Board of Directors shall be considered to be votes cast at the meeting. Such votes may not be cast prior to the Record Date. Whether the provision of the foregoing sentence applies and the procedure for exercising the rights referred to in that sentence shall be stated in the notice.

Prior to being allowed admittance to a meeting, a shareholder or its attorney shall sign an attendance list, stating his/her/its name and, to the extent applicable, the number of votes to which he/she/it is entitled. Each shareholder attending a meeting by the use of electronic means of communication and identified in accordance with the above shall be registered on the attendance list by the Board of Directors. In the event that it concerns an attorney of a shareholder, the name(s) of the person(s) on whose behalf the attorney is acting shall also be stated. The chairperson of the meeting may decide that the attendance list must also be signed by other persons present at the meeting.

The chairperson of the meeting may determine the time for which shareholders and others who are permitted to attend the general meeting of shareholders may speak if he/she considers this desirable with a view to the orderly conduct of the meeting.

Every share (whether common or special voting) shall confer the right to cast one vote.

Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the proportion of shareholders voting, present or represented or the proportion of the share capital provided or represented.
All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified.
Blank votes shall not be counted as votes cast.
All votes shall be cast in writing or electronically. The chairperson of the meeting may, however, determine that voting by raising hands or in another manner shall be permitted.
Voting by acclamation shall be permitted if none of the shareholders present objects.

No voting rights shall be exercised in the general meeting of shareholders for shares owned by the Company or by a subsidiary of the Company. Usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the usufruct was created before the shares were owned by the Company or a subsidiary.

Without prejudice to the other provisions of the Articles of Association, the Company shall determine for each resolution passed:

a. the number of shares on which valid votes have been cast;

b. the percentage that the number of shares as referred to under a. represents in the issued share capital;

c. the aggregate number of votes validly cast; and

d. the aggregate number of votes cast in favor of and against a resolution, as well as the number of abstentions.

ISSUANCE OF SHARES

The general meeting of shareholders or alternatively the Board of Directors, if it has been designated to do so by the general meeting of shareholders, shall have authority to resolve on any issuance of shares. The general meeting of shareholders shall, for as long as any such designation of the Board of Directors for this purpose is in force, no longer have authority to decide on the issuance of shares.

The general meeting of shareholders or the Board of Directors if so designated as provided in Article 5, paragraph 1 of the Articles of Association, shall decide on the price and the further terms and conditions of issuance, with due observance of what has been provided in relation thereto in the law and in the Articles of Association.

If the Board of Directors is designated to have authority to decide on the issuance of shares, such designation shall specify the class of shares and the maximum number of shares that can be issued under such designation. When making such designation the duration thereof, which shall not be for more than five years, shall be resolved upon at the same time. The designation may be extended from time to time for periods not exceeding five years. The designation may not be withdrawn unless otherwise provided in the resolution in which the designation is made.

Payment for shares shall be made in cash unless another form of consideration has been agreed. Payment in a currency other than euro may only be made with the consent of the Company.

For a period of five years from September 28, 2018 up to and including September 27, 2023, the Board of Directors has been irrevocably authorized by the shareholders at the AGM held on April 13, 2018, to issue special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company’s authorized share capital as set forth in Article 3, paragraph 1 of the Articles of Association.

For a period of five years from April 13, 2018 up to and including April 12, 2023, the Board of Directors has been authorized by the shareholders at the AGM held on April 13, 2018 as authorized body to issue common shares and to grant rights to acquire common shares in the capital of the Company, which authorization is limited to: (i) the issuance of 15% of the total number of common shares issued in the capital of the Company as of April 14, 2018; (ii) an additional 15% of the issued share capital of the Company as per the same date in relation to mergers or acquisitions; and (iii) without application of the 15% limitation, issuance of common shares and grant of rights or options (and the ability to cancel such rights where necessary or appropriate) to subscribe for common shares in the capital of the Company in so far as this would be done to meet obligations resulting from and on the terms of the equity incentive plans of the Company.

At the AGM held on April 13, 2018 for a period of five years starting from such date and therefore up to and including April 12, 2023, the Board of Directors has been also authorized by the shareholders as authorized body to limit or exclude the statutory preemptive rights of shareholders in connection with the issuance of common shares or rights to acquire shares in the capital of the Company, pursuant the share issuance authorization described above.

In the event of an issuance of common shares, every holder of common shares shall have a right of pre-emption with regard to the shares to be issued of that class in proportion to the aggregate amount of his shares of that class; provided, however, that no such right of pre-emption shall exist in respect of shares to be issued to Directors or employees of the Company or of a group company pursuant to any Company equity incentive or compensation plan.

A shareholder shall have no right of pre-emption for shares that are issued against a non-cash contribution.

In the event of an issuance of special voting shares to Qualifying Shareholders, shareholders shall not have any right of pre-emption.

The general meeting of shareholders or the Board of Directors, as the case may be, shall decide when passing the resolution to issue shares in which manner and, subject to paragraph 3 of Article 6 of the Articles of Association, within what period the right of pre-emption may be exercised.

PRINCIPAL OFFICE AND HOME MEMBER STATE

The Company is incorporated under the laws of the Netherlands. It has its corporate seat in Amsterdam and the place of effective management of the Company is in the United Kingdom.

The Company's principal office and business address is at 25 St. James's Street, London, SW1A 1HA, United Kingdom.

The Company is registered at the Commercial Register kept at the Chamber of Commerce in Amsterdam under file number 56532474 and at the Companies House in the United Kingdom under file number FC031116 BR016181.

The Netherlands is the Company's home member state for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended).

CULTURE

The Board is responsible for creating a culture aimed at long-term value creation for the Group and all of its stakeholders. Operating in compliance with all applicable laws and consistent with the Company's values and expectations is critical to creating such a culture. Accordingly, to clarify and make explicit the Company's values and expectations the Board adopted the Company's code of conduct ("Code of Conduct") and the Company issued its Supplier Code of Conduct, both of which are discussed below. In addition, the Company established a compliance and ethics program that is overseen by the Global Compliance and Ethics Committee ("GCEC"). The members of the GCEC include: the Chief Executive Officer, the Chief Financial Officer, the head of Internal Audit, the Corporate General Counsel, and the Chief Compliance Officer ("CCO"). The GCEC meets at least quarterly to, among other things, review and discuss compliance and ethics trends and topics, review and discuss compliance risk assessments, discuss compliance-related training to be deployed, consider the need for new or modified compliance-related corporate policies, and review matters submitted to the Company's Compliance Helpline (see below) and related investigations.

The extent to which each employee complies with and promotes such culture and values is assessed each year through the Company's performance assessment process. Among other things, employees are evaluated on their ability to lead people, act with integrity and honesty, drive collaboration through respect and openness, and hold themselves and others accountable.

CODE OF CONDUCT

On July 31, 2014, the Board of Directors adopted a new code of conduct (the "Code of Conduct") that describes the Company's values that contribute to a culture focused on long-term value creation. The Code of Conduct forms an integral part of the internal control system and sets out the principles of business ethics to which CNH Industrial adheres and which Directors, employees, officers, consultants and business "partners" are required to observe. The Code of Conduct covers topics such as the environment, health and safety, antitrust/competition, anti-corruption, data privacy, management of human resources, communities and respect of human rights.

The CNH Industrial Group uses its best endeavors to ensure that suppliers, consultants and any third party with whom the CNH Industrial Group has a business relationship be informed of the principles set forth in the Code of Conduct.

In addition, in 2015 the Company issued its Supplier Code of Conduct, which includes the Company's guidelines and expectations for suppliers with regard to such areas as labor and human rights, the environment, trade restrictions and export controls, business ethics and anti-corruption, and reporting matters to the Company.

The Code of Conduct is available in 19 languages on the Corporate Governance section of the Company's website, (www.cnhindustrial.com), and on the Company's intranet site.

The Supplier Code of Conduct is available on the Suppliers section of the Company's website and on the Company's intranet site.

The Company has established dedicated channels of communication to enable CNH Industrial's employees, customers, suppliers, and other third parties to report alleged irregularities of a general, operational and financial nature with the Company. The Company's Compliance Helpline is a global reporting tool available in 14 languages and is managed by an independent third party. Reports may be submitted through a dedicated web portal (www.cnhindustrialcompliancehelpline.com), by phone (to a call center managed by a third party), or in person to a manager or other Company representative. Company employees are required to report compliance issues. Where legally permissible, reports may be submitted on an anonymous basis. In addition, where legally required, the nature of the reports may be limited to certain subject matters. The Company investigates reports submitted and, in

appropriate cases, implements corrective and/or disciplinary actions.
The Group's ethics and compliance program is managed by the Global Compliance function. The Company's CCO manages the Global Compliance function and reports to the Company's Chief Executive Officer. In addition, the CCO reports on (at least) a quarterly basis to the Audit Committee. The CCO's reports to the Audit Committee include such things as compliance training and communications activities, material compliance and ethics trends and topics, matters reported to the Compliance Helpline, and the effectiveness of the compliance and ethics program. The Global Compliance function is responsible for, among other things, maintaining the Code of Conduct, creating and deploying compliance training,

managing the Compliance Helpline (including investigating reported matters), creating and maintaining compliance-related corporate policies, and assessing legal and compliance risks and working with stakeholders to develop policies, procedures and controls to effectively manage such risks.

The Group's Code of Conduct is supplemented by additional corporate policies, guidelines and procedures that provide greater detail than is contained in the Code of Conduct. Corporate policies cover areas of higher risk given the nature and extent of the Company's business such as: conflicts of interest, bribery and corruption, antitrust/competition law, international trade compliance, and data privacy. Each year employees are required to certify that (1) they have read and understand the Code of Conduct and the Company's conflict of interest policy, and (2) they have not violated, and are not aware of a violation of, the Code of Conduct or the conflict of interest policy.

RESPECT FOR HUMAN RIGHTS

CNH Industrial respects and promotes human rights in line with national laws, the fundamental Conventions of the International Labour Organization (ILO), the UN's Universal Declaration of Human Rights, and the OECD Guidelines for Multinational Enterprises. In addition to setting out principles of professional conduct, the Company's Code of Conduct also underscores the importance of respect for the individual.

The Company is committed to ensuring respect for fundamental human rights wherever it operates, and seeks to promote respect for these principles by others where it has an influence, particularly among contractors, suppliers, and other entities and individuals with whom it has a business relationship. The Company will not establish or continue a relationship with an entity or individual that refuses to respect the principles of its Code of Conduct.

CNH Industrial monitors respect for human rights both internally, through the Internal Audit function, and for suppliers, through an annual assessment process. In 2018, 70% of the Company's employees in APAC region have been included in the analysis and 604 suppliers have been assessed worldwide, representing 51% of direct material purchases.

The Company seeks to implement a variety of measures (e.g. training activities) to help employees understand and address human rights issues in the course of their work. In 2018, the training was provided to 100% of the employees.

ANTI-CORRUPTION AND BRIBERY

CNH Industrial's commitment to doing business with integrity means avoiding corruption in any form, including bribery, and complying with the anti-corruption laws of all countries in which it operates.

CNH Industrial has implemented and adopted an Anti-Corruption Policy, which is distributed to all Company employees and senior management across all Regions, and is available on the Company's intranet portal in 16 languages. The Company also provides corruption prevention training using both online and scenario-based classroom training.

CNH Industrial's Internal Audit function verifies, among other things, corruption prevention processes and controls. The results of such internal audits are submitted to both the Company's Audit Committee and senior management, in order to enable them to take action when an opportunity to improve internal controls is identified. In 2018, no substantiated reports of bribery or corruption were reported to the Company through the Compliance Helpline or otherwise. In addition, Internal Audit activities did not identify bribery or corruption problems or issues. The Company also investigates and tracks, among other things, all corruption allegations to evaluate the need for additional controls and training, and surveys all employees annually, reminding them of their obligation to report compliance issues.

In addition, the Company's Supplier Code of Conduct sets forth the Company's expectations with respect to all suppliers. The Supplier Code of Conduct prohibits any form of bribery, "kickbacks", or any other improper payment (of cash or anything of value) to a third party to obtain an unfair or improper advantage.

COMMUNITY RELATIONS

As stated in the Code of Conduct, CNH Industrial is aware of the potential direct and indirect impact of its decisions on the communities in which it operates. For this reason, the Company promotes an open dialogue to ensure that the legitimate expectations of local communities are duly taken into consideration, and voluntarily endorses projects and activities that encourage their economic, social, and cultural development. Moreover, CNH Industrial acts in a socially responsible manner by respecting the culture and traditions of each country, and by operating with integrity to earn the trust of the community.

The individual Regions or brands decide which projects to support based on actual local needs, maximizing open dialogue with local stakeholders and collecting their suggestions for improvement. They also decide whether to act directly or through partnerships with local institutions and organizations working in the social sphere.
The CNH Industrial Community Investment Policy, available on the Company's website, ensures that activities are managed consistently, identifying methods and defining areas of application at a global level.
In 2018, resources allocated by CNH Industrial to communities were valued at approximately $5.8 million.

In addition, CNH Industrial strives to respond rapidly to the needs of people affected by natural disasters. The Company channels resources (vehicles and financial and technical support) to aid impacted communities, and coordinates employees who want to voluntarily assist in relief efforts.

RELATED PARTY TRANSACTIONS POLICY

The Company adopted a Related Party Transactions Policy to ensure that all the transactions with related parties (as defined in compliance with IAS 24 and ASC 850) shall be subject to proper review, approval or ratification, as the case may be, in accordance with certain procedures set forth by the Company to ensure full transparency and substantive and procedural fairness.

INSIDER TRADING POLICY

On September 9, 2013, the Board of Directors adopted an Insider Trading Policy setting forth guidelines and recommendations to all Directors, officers and employees of the CNH Industrial Group with respect to transactions in CNH Industrial's securities or the securities of any third party to the extent that such person acquires material non-public information in relation to that third party, or the financial instruments of that third party, as a result of such person's employment with, or service to, the CNH Industrial Group. This policy, which also applies to immediate family members and members of the households of persons covered by the policy, is designed to prevent insider trading or allegations of insider trading, and to protect CNH Industrial's reputation for integrity and ethical conduct. The Insider Trading Policy is available on the Corporate Governance section of the Company's website, www.cnhindustrial.com.

MARKET ABUSE REGULATION (MAR)

On July 3, 2016, the Market Abuse Regulation (Regulation (EU) No 596/2014, "MAR") entered into force in the EU replacing the existing current rules in the different European countries originated by the implementation of an EU directive issued in 2003.

The focus of MAR is the prevention of any form of insider dealing (including attempted insider dealing and recommending or inducing another to engage in insider dealing), market manipulation (including attempted market manipulation), and unlawful disclosure of inside information ("Inside Information").

In the field of prevention of insider dealing, the MAR reiterates the notification regime in place for managers' transactions involving issuer's securities. Under the MAR, persons discharging managerial responsibilities ("PDMR") and persons closely associated with them must notify the issuers and the national competent authority of every transaction conducted on their own account relating to the shares or debt instruments of that issuer, or to derivatives or other financial instruments linked to those shares or debt instruments.

DISCLOSURE OF INSIDE INFORMATION

Inside Information, as defined under the MAR, is crucial for CNH Industrial since EU rules set forth a clear obligation upon the issuers to publicly disclose such Inside Information without delay. This disclosure requirement shall be complied with through the publication of a press release in accordance with the modalities set forth under the MAR disclosing to the public the relevant Inside Information. Delay in disclosure of Inside Information to the public is allowed on issuer's own responsibility provided that all of the following conditions are met: (i) immediate disclosure is likely to prejudice the legitimate interests of the issuer or emission allowance market participant, (ii) delay of disclosure is not likely to mislead the public, and (iii) the issuer or emission allowance market participant is able to ensure the confidentiality of that information.

INSIDERS LISTS

Pursuant to Article 18 of the MAR, CNH Industrial as well as persons acting on its behalf or for its account, shall draw up in accordance with a precise electronic format and keep regularly updated, a list of persons who, in the exercise of their employment, profession or duties, have access to Inside Information. CNH Industrial shall transmit the Insider list to the relevant competent authority, upon its request.

PUBLIC TENDER OFFERS AND PRIVATE BIDS

Any offer launched for CNH Industrial's common shares (and /or for financial instruments linked to such common shares) and bonds with respect to both voluntary and mandatory public tender offers shall be managed in compliance with applicable laws and regulations, relevant provisions and with any requirement imposed by/or subject to national relevant authority's supervision, in particular, among other things, the provisions concerning the tender offer price, the content of the offer document and the disclosure of the tender offer.

If and when occurring, CNH Industrial will respond appropriately to any potential future private bid considering the circumstances of such matter at the relevant time.

DISCLOSURES PURSUANT TO DECREE IMPLEMENTING ARTICLE 10 EU-DIRECTIVE ON TAKEOVERS

In accordance with the Dutch Besluit artikel 10 overnamerichtlijn (the Decree), the Company makes the following disclosures:

a. For information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Note 23 “Equity” to the Consolidated Financial Statements in this Annual Report. For information on the rights attached to the common shares, please refer to the Articles of Association which can be found on the Company’s website. To summarize, the rights attached to common shares comprise pre-emptive rights upon issue of common shares, the entitlement to attend the general meeting of shareholders and to speak and vote at that meeting and the entitlement to distributions of such amount of the Company’s profit as remains after allocation to reserves. For information on the rights attached to the special voting shares, please refer to the Articles of Association and the Terms and Conditions for the Special Voting Shares which can both be found on the Company’s website and more in particular to the paragraph “Loyalty Voting Structure” of this Annual Report. As at December 31, 2018, the issued share capital of the Company consisted of 1,364,400,196 common shares, representing 77% of the aggregate issued share capital and 396,474,276 special voting shares, representing 23% of the aggregate issued share capital.
b. The Company has imposed no limitations on the transfer of common shares. The Articles of Association provide in Article 12 for transfer restrictions for special voting shares. The Company is not aware of any depository receipts having been issued for shares in its capital.
c. For information on participations in the Company’s capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts (Wet op het financieel toezicht) notification requirements apply, please refer to the chapter “Major Shareholders” of this Annual Report. There you will find a list of shareholders who are known to the Company to have holdings of 3% or more.
d. No special control rights or other rights accrue to shares in the capital of the Company.
e. Current equity incentive plans adopted by the Company are administered by the Compensation Committee.
f. No restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles of Association do not allow the Company to cooperate with the issue of depository receipts for shares.
g. The Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights.
h. The rules governing the appointment and dismissal of members of the board of directors of the Company are stated in the Articles of Association of the Company. All members of the Board of Directors are appointed by the general meeting of shareholders. The term of office of all members of the Board of Directors is for a period of approximately one year after appointment, such period expiring on the day the first Annual General Meeting of Shareholders is held in the following calendar year. The general meeting of shareholders has the power to dismiss any member of the Board of Directors at any time.

The rules governing an amendment of the Articles of Association are stated in the Articles of Association and require a resolution of the general meeting of shareholders which can only be passed pursuant to a prior proposal of the Board of Directors of the Company.

i. The general powers of the Board of Directors are stated in the Articles of Association of the Company. For a period of five years from September 28, 2018 up to and including September 27, 2023, the Board of Directors has been irrevocably authorized by the shareholders at the AGM held on April 13, 2018 to issue special voting shares up to the maximum aggregate amount of special voting shares as provided for in the Company’s authorized share capital as set forth in Article 3, paragraph 1 of the Articles of Association. For a period of five years from April 13, 2018 up to and including April 12, 2023, the Board of Directors has been authorized by the shareholders at the AGM held on April 13, 2018 as authorized body to issue common shares and to grant rights to acquire common shares in the capital of the Company, which authorization is limited to: (i) the issuance of 15% of the total number of common shares issued in the capital of the Company as of April 14, 2018; (ii) an additional 15% of the issued share capital of the Company as per the same date in relation to mergers or acquisitions; and (iii) without application of the 15% limitation, issuance of common shares and grant of rights or options (and the ability to cancel such rights where necessary or appropriate) to subscribe for common shares in the capital of the Company in so far as this would be done to meet obligations resulting from and on the terms of the equity incentive plans of the Company. At the AGM held on April 13, 2018 for a period of five years starting from such date and therefore up to and including April 12, 2023, the Board of Directors has been also authorized by the shareholders as authorized body to limit or exclude

the statutory preemptive rights of shareholders in connection with the issuance of common shares or rights to acquire shares in the capital of the Company, pursuant the share issuance authorization described above.
The Board of Directors is authorized to acquire special voting shares in the capital of the Company for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 5 of the Articles of Association of the Company.

j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (Wet op het financieel toezicht), provided that some of the loan agreements guaranteed by the Company and certain bonds guaranteed by the Company contain clauses that, as it is customary for such financial transactions, may require early repayment or termination in the event of a change of control of the guarantor or the borrower. In certain cases, that requirement may only be triggered if the change of control event coincides with other conditions, such as a rating downgrade.

SUSTAINABILITY PRACTICES

CNH Industrial is committed to operating in an environmentally and socially-responsible manner, creating long-term value for all its stakeholders. For this purpose, the Company has a robust Governance model, to manage all its operations in an ethical and transparent way. Sustainability in CNH Industrial is a way of doing business and it involves every area, function and employee within the organization.
The materiality analysis, which defines social and environmental priorities, contains approximately 200 KPIs, that monitor the sustainability performance, the Sustainability Plan, which tracks commitments, and the annual Sustainability Report are the main tools of the sustainability management system.
For further details see the previous section on “Our Commitment to Sustainable Development”.

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

While CNH Industrial endorses the principles and best practice provisions of the DCGC, its current corporate governance structure deviates from the following best practice provisions, only with respect to minor aspects as follows:
Under best practice provision 5.1.3, the chairman of the management board should be an independent Director. CNH Industrial has adopted a one-tier governance structure with two Executive Directors and, in accordance with section 14(2) of the Articles of Association, the Board has granted to them, respectively, the title of ‘Chairman’ and ‘Chief Executive Officer’. The Board has entrusted to an independent Director the duties attributed by the DCGC to the chairman of the management board in one-tier companies (or to the chairman of the supervisory board in two-tier companies). The Board has granted to such independent Director the title of ‘Senior Non-Executive Director’ (so as to distinguish such Director from the Chairman of the Company, who is an Executive Director). As a consequence, despite the difference in corporate titles, the Company believes it complies with best practice provision 5.1.3, as the current Senior Non-Executive Director satisfies the requirements described in best practice provision 5.1.3 of the DCGC.
CNH Industrial deviates from best practice provision 2.3.4 in that the Senior Non-Executive Director (who is independent) is the chairman of the Compensation Committee, whereas the DCGC provides that the persons who chairs the board meeting should not assume the role of chairman of the remuneration committee. The Company believes that such duplication of role enhances the effectiveness of the Senior Non-Executive Director and is consistent with the intent of best practice provision 2.3.4.
The Board has not appointed a vice-chairman in the sense of best practice provision 2.3.7 of the DCGC. Since the Company adopted a one-tier governance structure with a single management board comprised of Executive Directors and Non-Executive Directors, the Board has granted the title of ‘Chairman’ to one Executive Director and designated as ‘Senior Non-Executive Director’ one of the Non-Executive Directors. The Senior Non-Executive Director is responsible for the proper functioning of the Board of Directors and its Committees. Furthermore, the Board Regulations provide that in absence of the Senior Non-Executive Director any other Non-Executive Director chosen by a majority of the Directors present at a meeting shall preside at meetings of the Board of Directors. The Company considers the above sufficient to ensure that the role and function assigned by the DCGC to the vice-chairman is properly discharged.

Pursuant to best practice provision 4.1.8 of the DCGC, every Executive and Non-Executive Director nominated for appointment should attend the Annual General Meeting at which votes will be cast on his/her nomination. Since, pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first Annual General Meeting of Company shareholders is held in the following calendar year, all members of the Board of Directors are nominated for (re)appointment each year. By publishing the relevant biographical details and curriculum vitae of each nominee for (re)appointment, the Company ensures that the

Company's general meeting of shareholders is well informed in respect of the nominees for (re)appointment and in practice only the Executive Directors will therefore be present at the Annual General Meeting.

The Company does not have a retirement schedule as referred to in paragraph 2.2.4 of the DCGC. Pursuant to the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first Annual General Meeting of Company shareholders is held in the following calendar year. This approach is in line with the general practice for companies listed in the U.S. As the Company is listed on the NYSE, it also relies on certain U.S. governance requirements and practices, one of which is the reappointment of Directors at each Annual General Meeting of Company shareholders.

Statement by the Board of Directors

Based on the assessment performed, the Board of Directors believes that, as of December 31, 2018, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Report on Operations provides sufficient insights into any material weakness in the effectiveness of the internal risk management and control systems. This is discussed in section "Internal Control System"; (ii) the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies. This is discussed in section "Internal Control System"; (iii) based on the current state of affairs, it is justified that the Group's and the Company's financial reporting is prepared on a going concern basis. This is justified by the discussion in the Notes to the Consolidated Financial Statements and in the Notes to the Company Financial Statements; and (iv) the Report on Operations states those material risks and uncertainties that are, in the Board of Director's judgment, relevant to the expectation of CNH Industrial's continuity for the period of twelve months after the preparation of the Report on Operations. Refer to section "Risk Factors".

March 1, 2019

Suzanne Heywood
Chairperson

Hubertus Mühlhäuser
Chief Executive Officer

Responsibilities in respect of the Annual Report

The Board of Directors is responsible for preparing the Annual Report, inclusive of the Consolidated and Company Financial Statements and Report on Operations, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("EU-IFRS").

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the Financial Statements prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of CNH Industrial N.V. and its subsidiaries and that the Report on Operations provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of CNH Industrial N.V. and its subsidiaries, together with a description of the principal risks and uncertainties that CNH Industrial N.V. and the Group face.

March 1, 2019

The Board of Directors

Suzanne Heywood
Hubertus Mühlhäuser
Mina Gerowin
Léo W. Houle
Peter Kalantzis
John Lanaway
Silke C. Scheiber
Guido Tabellini
Jacqueline A. Tammenoms Bakker
Jacques Theurillat

Report on Operations Corporate Governance 95

REMUNERATION REPORT

The quality of our leadership and their commitment to the Company are fundamental to our success. Our compensation philosophy supports our business strategy and growth objectives in a diverse and evolving global market. Our Remuneration Policy is designed to competitively reward the achievement of long-term sustainable performance goals and to attract, motivate and retain highly qualified senior executives who are committed to performing their roles in the long-term interest of our shareholders and other stakeholders. Given the changing international standards regarding appropriate remuneration, a variety of factors have been taken into consideration, such as the complexity of functions, the scope of responsibilities, the alignment of risks and rewards, national and international legislation and the long-term objectives of the Company and its shareholders. The Compensation Committee of the Board of Directors (“Compensation Committee”) reviews the Remuneration Policy on an annual basis.

REMUNERATION POLICY AVAILABLE ON OUR WEBSITE

The Compensation Committee provides to the Non-Executive Directors of the Board its recommendation for total compensation of the Executive Directors. It does so in accordance with the Company’s Remuneration Policy. The Non-Executive Directors approve all Executive Directors’ compensation terms and conditions based on the Remuneration Policy, as aligned with Dutch law and the Dutch Corporate Governance Code.

At the 2014 Annual General Meeting of Shareholders (“AGM”), our shareholders approved the Company’s Remuneration Policy. At the 2017 AGM, our shareholders approved an amendment to the Remuneration Policy pursuant to which all fees payable to Non-Executive Directors will be paid in cash. A copy of the amended Remuneration Policy is available on the Company’s website, www.cnhindustrial.com.

The Compensation Committee reviews the Remuneration Policy and its implementation annually. In addition, in formulating the Remuneration Policy, the Board of Directors ("Board") took into consideration the aspects set forth in best practice 3.1.2 of the Dutch Corporate Governance Code. The Committee did not recommend to the Board adjustments to the Remuneration Policy be put to shareholders at the 2019 Annual General Meeting.

CHANGE IN EXECUTIVE DIRECTORS IN 2018

During 2018, the Company's executive directors changed. At the end of April, the former CEO, Richard Tobin, left the Company voluntarily, and Derek Neilson, one of our senior managers, was appointed as Chief Executive Officer, Ad Interim. On September 17, 2018, Hubertus Mühlhäuser, recruited externally, assumed the position of CEO. On July 21, 2018, the Board of Directors, having been apprised of the deteriorating health situation of its Chairman Sergio Marchionne, appointed Lady Heywood as Chairperson with immediate effect. On July 25, 2018, Mr. Marchionne passed away. Shareholders appointed Lady Heywood and Mr. Mühlhäuser as Executive Directors at the November 29, 2018 Extraordinary General Meeting.

FINANCIAL YEAR 2018 – BUSINESS HIGHLIGHTS

The foundation of CNH Industrial’s Remuneration Policy is pay for performance. The following table highlights key 2018 Company achievements.

FINANCIAL HIGHLIGHTS(*)	STRATEGIC DEVELOPMENTS AND INITIATIVES
Standard & Poor’s Global Ratings further raised the credit ratings of both CNH Industrial N.V. and CNH Industrial Capital LLC from “BBB-" to “BBB", with stable outlook	CNH Industrial launched the new Precision Farming aftermarket brand AGXTEND, focused exclusively on aftermarket precision farming technology solutions
Moody’s raised its credit ratings to Baa3 ("investment grade") with stable outlook for CNH Industrial N.V., CNH Industrial Capital LLC, and CNH Industrial Finance Europe S.A.	The Company and Farmers Edge entered into a strategic digital agriculture agreement, providing connectivity and agronomic solutions for New Holland AG and Case IH customers
Met all CNH Industrial guidance for Net Sales of Industrial Activities, Adjusted Diluted EPS and Net Industrial Debt	Maxxum 145 Multicontroller powered by FPT Industrial N45 engine was awarded "Tractor of the Year 2019" and "Best Design 2019," at the EIMA International farm equipment trade fair
2018 YTD Adjusted EPS up 74% year-over-year	IVECO Stralis NP 460 won "Sustainable Truck of the Year 2019" at Ecomondo 2018
Generated $1,117 million in Adjusted Net Income, an increase of 72% vs 2017 ($651 million) and $2,101 million in Consolidated Adjusted EBIT, an increase of 28% year-over-year	At the 2018 IAA exhibition, IVECO was the first to have a low emission area that is 100% diesel free, and IVECO BUS On-Motion-Charging Crealis was named "Sustainable Bus of the Year 2019"
Consolidated revenue up 7.2% year-over-year, with improved Consolidated Adjusted EBIT margin of 7.1% (versus 5.9% in 2017)	FPT industrial launched its state of the art Tier 4 Final power generation engines at Power-Gen in Orlando
Reduced Net Industrial Debt by one-third to $0.6 billion from $0.9 billion at the end of 2017	FPT Industrial’s marine diesel engine broke the Guinness world powerboat speed record
Continued margin improvement in all industrial segments with strong operating leverage in all business segments, with a continued improvement versus prior year in Agricultural Equipment, and a sustained year-over-year improvement in Construction Equipment	FPT Industrial’s engine powered the drone that broke the Guinness world record for heaviest drone carried payload
Commercial Vehicles refocusing strategy on better product mix, together with positive price realization versus prior year	The new CASE TR320 compact track loader was named one of the “China Top 50 Construction Machinery Products of the Year”
Powertrain continued to demonstrate strong performance in 2018, with and Adjusted EBIT of $406 million versus $360 million in 2017	CASE Construction Equipment won in the compaction equipment category at the Equipment India Awards for the fifth consecutive year
Debt refinancing with lower interest cost as a result of improved credit ratings	Confirmed Industry Leader for the eighth consecutive year by the Dow Jones Sustainability Indices
Continued investment in new products and technology with capital expenditures ("CAPEX") up 13% and research and development ("R&D") spending up 11% versus prior year	Continued important World Class Manufacturing (WCM) achievements with 1 gold, 17 silver (up 2) and 25 bronze (up 4) medaling plants by the end of 2018

(*) All financial figures are based on financial statements prepared in accordance with U.S. GAAP.

Definitions of non GAAP metrics referenced in the above table (derived from financial information prepared in accordance with U.S. GAAP):

Adjusted Diluted EPS: is computed by dividing Adjusted Net Income (loss) attributable to CNH Industrial N.V. by a weighted-average number of common shares outstanding during the period that takes into consideration potential common shares outstanding deriving from the CNH Industrial share-based payment awards, when inclusion is not anti-dilutive. When we provide guidance for adjusted diluted EPS, we do not provide guidance on an earnings per share basis because the GAAP measure will include potentially significant items that have not yet occurred and are difficult to predict with reasonable certainty prior to year-end.

Adjusted Net Income (Loss): is defined as net income (loss), less restructuring charges and non-recurring items, after tax.

Adjusted EBIT: is defined as net income (loss) before income taxes, interest expenses of Industrial Activities, net, restructuring expenses, the finance and non-service component of pension and other postemployment benefit costs, foreign exchange gains/(losses), and certain non-recurring items. In particular, non-recurring items are specifically disclosed items that management considers rare or discrete events that are infrequent in nature and not reflective of on-going operational activities.

Net Debt and Net Debt of Industrial Activities (or Net Industrial Debt): Net Debt is defined as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivative hedging debt. CNH Industrial provides the reconciliation of Net Debt to Total Debt, which is the most directly comparable measure included in the consolidated balance sheets. Due to different sources of cash flows used for the repayment of the debt between Industrial Activities and Financial Services (by cash from operations for Industrial Activities and by collection of financing receivables for Financial Services), management separately evaluates the cash flow performance of Industrial Activities using Net Debt of Industrial Activities.

REMUNERATION PRINCIPLES

Our compensation approach is designed to provide a reward structure that allows CNH Industrial to attract and retain the most highly qualified executive talent and to motivate our executives to substantially contribute to the achievement of business and financial goals that create long-term value for shareholders and other stakeholders. CNH Industrial’s compensation philosophy, as set forth in the Remuneration Policy, aims to provide compensation to its Executive Directors, and other senior leaders, consistent with our core business and leadership values, as outlined below.

Alignment with CNH Industrial’s Strategy	Compensation is strongly linked to the achievement of targets aligned with the Company’s publicly disclosed objectives.
Pay for Performance	Compensation must reinforce our performance driven culture and principles of meritocracy. As such, the majority of pay is linked directly to the Company’s performance through both short- and long-term variable pay instruments.
Competitiveness	Compensation will be competitive relative to the comparable market and set in a manner to attract, retain and motivate very effective leaders and highly qualified executives.
Long-Term Shareholder Value Creation	Targets triggering any variable compensation payment will align with interests of shareholders.
Compliance	Our compensation policies and plans will be designed to comply with applicable laws and corporate governance requirements.
Risk Prudence	The compensation structure will avoid incentives that encourage unnecessary or excessive risks that could threaten the Company’s value.

COMPENSATION PEER GROUP

In 2018, the Compensation Committee reviewed potential compensation peer companies, operating in similar industries and geographies with whom we are most likely to compete for talent at the executive level. The Compensation Committee strives to develop a compensation peer group that best reflects all aspects of CNH Industrial’s business and considers public listing, industry practices, geographic reach and revenue proximity. Market capitalization was considered a secondary characteristic. Our Company has few direct business competitors, which makes it difficult to create a compensation peer group based on industry, revenues or market capitalization alone.

Additionally, notwithstanding CNH Industrial being a European headquartered company, evaluation against peer companies incorporated in only the European geographic region was believed to be inappropriate, in particular in light of being listed in both the New York and Milan stock exchanges and the strong commercial presence in the United States. Accordingly, the compensation peer group for the Chief Executive Officer ("CEO") and the Chairperson includes a blend of U.S. S&P 500 industrial and non-U.S. global industrial companies with revenues greater than $10 billion as shown in the table below. A blend of both U.S. and non-U.S. companies for the compensation peer group is deemed necessary for meaningful comparisons to the relevant talent market for our executives. In 2018, no change was made to the compensation peer group.

Our compensation peer group is utilized to evaluate market-oriented targeted pay levels. The pay elements are designed to align actual pay levels with Company performance.

2018 Compensation Peer Group

U.S. Companies	Non-U.S. Companies
AGCO Corporation	AB Volvo
Caterpillar Inc.	Continental AG
Cummins Inc.	Man SE
Deere & Company	
Honeywell International Inc.	
Johnson Controls International	
Magna International Inc.	
Navistar International Corporation	
PACCAR Inc.	
United Technologies Corporation	

OVERVIEW OF REMUNERATION ELEMENTS

The Executive Directors' remuneration consists of the following primary elements:

Remuneration Element	Description	Strategic Purpose
Base Salary	Fixed cash compensation	Attracts and rewards high performing executives via market competitive pay
Short-Term Variable	Based on achievement of annually predetermined performance objectives Objectives comprised of four financial metrics: Adjusted Net Income, Consolidated Adjusted EBIT, Consolidated Revenues and Net Industrial Debt For the CEO, target payout is 125% of base salary and maximum payout is 200% target payout No discretion applies The Chairperson does not participate in the annual bonus program	Drives company-wide and individual performance Rewards annual performance Motivates executives to achieve performance objectives that are critical to our annual operating and strategic plans Aligns executives' and shareholders' interests
Long-Term Variable	Two components: 75% based on Company performance 25% based on individual performance and leadership for the Company performance component: 100% linked to Relative TSR versus 6 industry specific peer companies, subject to modifier based on Company's credit rating Five-year equity holding period for Executive Directors Both the CEO and Chairperson participate	Encourage executives to achieve long-term strategic and financial objectives Motivates executives to deliver sustained long-term growth Aligns executives' and shareholders' interests through long-term value creation Enhance retention of key talent
Post Employment Benefits	CEO: Company sponsored retirement savings programs, available to all salaried employees Severance protection of 12 months' base salary, consistent with Dutch Corporate Governance Code best practice Prorated equity award vesting in the event of death, disability or involuntary termination by the the Company, not for cause Retiree healthcare benefits Chairperson: Prorated equity award vesting in the event of death or disability. Board discretion in the event of end of mandate No other post mandate benefits provided	Provides Executive income security
Other Benefits	CEO: typical benefits such as a company car, medical insurance, accident insurance	Customary fringe benefits consistent with offerings of compensation peer group

tax equalization for any non U.S. sourced employment income

Chairperson: No benefits provided

2018 TARGET DIRECT COMPENSATION MIX

The Compensation Committee believes that the Company’s Total Direct Compensation Mix aligns the interests of our Executive Directors with those of our shareholders. It is designed to reward our executives based on achievement of sustained financial and operating performance as well as demonstrated leadership. The total annual target compensation of the Executive Directors emphasizes pay for performance and long-term value creation, as evidenced by having significant pay at risk, contingent on performance.

The CEO’s targeted annual compensation of $8.5 million consists of:

Base salary: $1.1 million

Target bonus: $1.4 million (125% of base salary); and

Target equity (fair market value at grant): $6.0 million, of which 75% is performance based and 25% is retention based.

This is illustrated in the weighting of the Target Pay Mix chart below:

For the performance based pay elements, the combination of the annual incentive and the long-term performance based incentive represents nearly 70% of the CEO's targeted pay contingent on performance. For the link to long-term value creation, the total targeted long-term incentive (combining the performance based LTI and the retention based LTI), is above 70% of total direct compensation. Further alignment for long-term value creation is supported by a requirement that equity awards be held for a minimum of five years from date of grant.

The CEO, having discussed the Company’s pay philosophy with the Board prior to joining the Company, fully accepts his compensation package and his targeted mix of pay. The CEO embraces the pay for performance compensation philosophy and is aligned with and favors the risks and rewards that come with that approach to compensation. Furthermore, the CEO recognizes that his leadership position demands setting the example and to advocate a shared, one-company mindset of performance and accountability to deliver on business objectives.

In regard to the Chairperson’s Executive Director role, in December 2018, the Board approved targeted annual compensation of $1.0 million consisting of:

Base salary: $0.25 million;

No annual bonus eligibility; and

Target equity (fair market value at grant): $0.75 million, of which 75% is performance based and 25% is retention based.

This is illustrated in the weighting of the Target Pay Mix chart below:

In the Executive Chairperson role, the duties focus more on long-term value creation than on day to day management, and the variable incentives are aligned accordingly with no short-term incentive pay, but with long-term incentive reward opportunity. Further linkage to long-term value creation is supported by a requirement that equity awards be held for a minimum of five years from date of grant. The Board discussed with the Chairperson her total compensation package, and the Chairperson is fully aligned with the compensation package and the long-term emphasis of her pay elements.

In accordance with Dutch Corporate Governance Code, both Executive Directors’ equity awards are long-term investments in the Company and fully align with the shared interests of shareholders.

Executive Directors' 2018 Realized Compensation

In terms of realized compensation for 2018, the CEO earned $0.3 million consisting of base salary only. No variable pay was paid to the CEO in 2018, since the CEO started with the Company on September 17, 2018, and there were no cash or equity sign-on bonuses realized during 2018. The Chairperson’s 2018 realized compensation was $0.2 million, consisting of Board retainer and Committee fees paid to Lady Heywood in her role as Non-Executive Director. No incentive pay was earned by the Chairperson in 2018.

For the former CEO, Richard Tobin realized in 2018 a total of $2.9 million, consisting of (i) fixed base salary through April 2018 of $0.4 million and (ii) variable pay from performance year 2017 of $2.5 million. All outstanding equity awards were forfeited upon Mr. Tobin's resignation from the Company. The former Chairman, Sergio Marchionne, realized in 2018 a total of $5.7 million, consisting of (i) $0.9 million fixed base salary through July 2018 and (ii) $4.8 million of vested equity awards.

Internal Pay Ratios

The Compensation Committee considered internal pay ratios within the Company and its affiliated enterprise, when setting the Executive Directors’ compensation, in line with the guidance under the Dutch Corporate Governance Code. In the absence of prescribed methodologies within the Dutch Corporate Governance Code, we chose to consider the median compensated employee, in order to compare most readily to our peers who disclose a pay ratio (i.e., U.S. based peers who follow SEC prescribed guidelines).

The median compensated employee was identified using the annualized base salaries of all active employees, including all salary levels globally, except those employees in joint ventures who are compensated by the joint venture partner, as of November 30, 2018 and converting to a common currency, USD, using November year-to-date average exchange rates. Once identified, the median employee’s 2018 compensation, consisting of actual fixed and variable earnings, excluding fringe benefits and social contributions, was compared to each of the Executive Directors’ targeted annual compensation.

In regard to the Executive Directors, in consideration of the partial year earnings realized by the CEO in 2018 and the December 2018 approval of the Chairperson’s compensation, we deemed the Executive Directors’ annual target compensation, including base salary and short and long-term target incentive, to be the most appropriate for the 2018 pay comparison. Using the CEO’s targeted annual compensation of $8.5 million, the resulting CEO pay ratio versus the median employee was 229. Similarly, the resulting Chairperson pay ratio using her targeted annual compensation of $1.0 million versus the median employee was 27. The development of these ratios will be monitored and disclosed going forward.

Base Salary

The base salary established for the new Executive Directors in 2018 takes into consideration the executive's skills, scope of job responsibilities, experience, and competitive market and compensation peer group pay comparisons as described above. The Company believes that paying our Executive Directors at median of these benchmarks is appropriate to retain them throughout the business cycle.

The CEO's annual base salary is $1.1 million and the Chairperson's base salary is $250,000, and their base salaries are in the competitive range for their respective roles.

Variable Components

Our Executive Directors are eligible to receive variable compensation contingent on the achievement of pre-established, challenging financial and other designated performance objectives that are approved by the Company's Non-Executive Directors. The variable components of our Executive Directors' remuneration, both the short- and the long-term incentives, where applicable, demonstrate our commitment to shareholders and long-term value creation by using metrics that align with our business strategy of delivering exceptional operating performance and shareholder returns. The Non-Executive Directors believe that placing significantly more weight on the long-term component is appropriate to align the Executive Directors efforts on the Company's long-term success.

As specified by Dutch Corporate Governance Code, scenario analyses are carried out annually to examine the relationship between the performance criteria chosen and the possible outcomes of variable remuneration of the Executive Directors. Such analysis was carried out for the 2018 financial year, and the Company found a strong link between remuneration and performance and concluded that the chosen performance criteria strongly supports the Company's strategic objectives and are appropriate under both the short-term and long-term incentive components of total remuneration.

Short-Term Incentives

The primary objective of short-term variable incentives is to focus on the business priorities for the current or following year. As such, our CEO participates in the annual incentive plan, but our Chairperson does not as the focus of her role is long-term. Our CEO's short-term variable incentive compensation is based on achieving short-term (annual) financial and other designated goals proposed by the Compensation Committee and approved by the Chairperson and Non-Executive Directors each year.

Our Methodology for Determining Annual Bonus Awards

* The bonus elements and calculations for the CEO follow the same Achieve and Earn philosophy for all bonus eligible employees, except for the individual performance and leadership factor that applies to other bonus eligible employees. As a result, there is no Board discretion in determining the outcome of the CEO's bonus, in line with the guidance from the Dutch Corporate Governance Code.

When determining the Executive Directors' annual performance bonus, the Compensation Committee and the Non-Executive Directors:

approve the Executive Directors' target and maximum allowable bonus;
select the choice and weighting of objectives;
set the stretch objectives;
review the performance actually delivered to determine the appropriate overall measurement of achievement of the objectives; and
approve the final bonus determination.

In 2018, the Compensation Committee changed the bonus plan design to include four metrics (compared to two in 2017). The four metrics are Adjusted Net Income, Consolidated Adjusted EBIT, Consolidated Revenues, and Net Industrial Debt. The Compensation Committee established challenging goals for each metric, each which pays out independently. There is no minimum bonus payout. As a result, if none of the threshold objectives are satisfied, there is no bonus payment.

The target incentive for the annual bonus program is 125% of base salary for the CEO, linked to approved targets each year which are consistent with our public guidance to investors. To earn any incentive, the threshold performance must be at least 90% of the specific target established. To earn the maximum payout of 200% of target, actual results must be 150% of the target performance, or greater, for all the performance metrics.

CEO Annual Bonus

The bonus earned by the CEO for performance year 2018, payable in 2019, was $0.5 million, reflecting prorated eligible earnings (from September 17) and as determined by the achievement of pre-determined objectives and the corresponding overall company performance factor illustrated in the table below:

2018 Annual Bonus Program

2018 Performance Metric	Weight	Threshold ($ million)	Target ($ million)	Maximum ($ million)	Company Performance – Actual ($ million)	Company Performance Factor
Adjusted Net Income (Loss)(1)	40%	783	870	1,305	1,117	
Consolidated adjusted EBIT(2)	30%	1,647	1,830	2,745	2,101	
Consolidated revenues(3)	20%	26,100	29,000	43,500	29,706	
Net Industrial Debt(4)	10%	990	900	450	600	
Overall Company Performance Factor:						139.2%

All of the definition and the actual results of each metric are disclosed in the Company's 2018 full year earnings release.

(1) Adjusted Net Income (Loss) is defined as net income (loss), less restructuring charges and non-recurring items, after tax.

(2) Consolidated adjusted EBIT is defined as net income (loss) before income taxes, interest expenses of Industrial Activities, net, restructuring expenses, the finance and non-service component of pension and other postemployment benefit costs, foreign exchange gains/(losses), and certain non-recurring items. In particular, non-recurring items are specifically disclosed items that management considers rare or discrete events that are infrequent in nature and not reflective of on-going operational activities.

(3) Consolidated revenues correspond to Net Sales and Finance, Interest, and Other Income of Industrial Activities and Financial Services, net of eliminations and other.

(4) Net Industrial Debt is defined, with reference to Industrial Activities only, as total debt less intersegment notes receivable, cash and cash equivalents, restricted cash and derivative hedging debt.

Discussion of 2018 Results

The Company exceeded expectation on all metrics in spite of extremely challenging market conditions due to costly restrictions to free trade, interest rate hikes, and indicators of a softening in the global economy. For the 2018 financial year, the bonus plan achievement for Adjusted Net Income was $1,117 million, a 72 % increase over 2017 and 28% over target; Consolidated adjusted EBIT results exceeded targets when using an equivalent defined metric in 2017; Consolidated Revenues came in higher both year-over-year and versus target; and Net Industrial Debt was reduced through diligent cash flow management.

All of the financial objectives, when set, were deemed challenging and in line with external guidance to shareholders. As evidenced by the comparison to 2017, performance exceeded targets that exceeded prior year results, illustrating the commitment of the Company and the Compensation Committee to rigorously review and consistently calibrate performance measures.

Long-Term Incentives

Long-term incentive compensation is a critical component of our Executive Directors' compensation structure. This compensation component is designed to:

align the interests of our Executive Directors and other key contributors with the interests of our shareholders;
motivate the attainment of Company performance goals and reward sustained shareholder value creation; and
serve as an important attraction and long-term retention tool that management and the Compensation Committee use to strengthen loyalty to the Company.

Cyclical, Long-Term Nature of Our Business. Market demand for agricultural equipment, as well as for construction equipment, trucks, commercial vehicles, buses and specialty vehicles, is cyclical, and product life cycles are long, and thus so is the nature of CNH Industrial's business. As long-term incentive compensation is one of the key mechanisms to motivate and reward managers, the Company seeks for this component to take into account the long-term, cyclical nature of the business.

2017-2019 Long-Term Incentive Program

In 2017, with the aim to attract, motivate and retain Executive Directors for the long-term, to reward Executive Directors based on our future performance as reflected by the market price of CNH Industrial's shares, and to foster a long-term link between Executive Directors' interests and the interests of the Company and its shareholders, the Compensation Committee established the 2017-2019 long-term incentive program ("2017-2019 LTIP"). Under the 2017-2019 LTIP, the Company made one-time grants of Performance Share Unites ("PSUs") and Restricted Share Units ("RSUs"). For the performance based grants, there is only a single primary metric, Total Shareholder Return ("TSR") relative to a group of peer companies, and a single modifier, which is tied to the Company's credit rating. In this way, Executive Directors' payouts are tied and aligned with the interests of shareholders.

The 2017 - 2019 LTIP has the following features:

Type of Long-Term Incentive Vehicle	Proportion of Executive Director Long-Term Incentive Grant	Vesting Cycle	Performance Metrics (Weighting)	Rationale for Use of Performance Metric
Performance Share Units (PSUs)	75%	Three-year cliff vesting	1) 2017-2019 Relative TSR vs. 6 closest peers (100%)	Total shareholder return compared to the total shareholder returns of companies included in the peer group for the performance period; Indicator of creation of shareholder value relative to closest peer companies
			2) Investment Grade Credit Rating (30% reduction if not maintained)	Reflects overall financial health, leverage and earning power
Restricted Share Units (RSUs)	25%	Annually over three years	N/A	To encourage ownership and retention while immediately aligning Executive Directors' interests with those of our shareholders

The PSU performance measure was selected because (i) relative TSR is an important measure for shareholders, (ii) it gives recipients a clear line of sight into how executing on operating measures drives the achievement of performance and earning awards. Maintaining investment grade credit rating incorporates a measure of the Company's overall financial health and ability to incur debt, an important factor in capital-intensive businesses such as manufacturing heavy equipment. If this condition is not maintained, any amount earned from the TSR metric is reduced by 30%.

The Compensation Committee utilizes RSUs to encourage ownership and retention while aligning Executive Directors' interests with those of our shareholders over the longer term. Vesting is subject to continued employment with the Company.

Earned PSU Calculation Methodology

The following table lists the composite group of peer companies selected for the relative TSR metric. The peer group companies are similar in terms of industry, market capitalization and revenues.

Peer Company
AB Volvo
AGCO Corporation
Caterpillar Inc.
Cummins Inc.
Deere & Company
PACCAR Inc.

This peer group is used to evaluate relative TSR of the Company over the applicable three-year performance period and to determine the corresponding amount of PSUs earned. The payout opportunity is based on the Company's ranking against the companies in the peer group as shown in the table below, and requires the Company to rank 2nd out of the seven companies to achieve the target payout, a high standard.

Equity Award Thresholds

Total Shareholder Return Ranking as Compared to Companies in the Peer Group	Payout Percentage of Target Equity Incentive Award
1st	130%
2nd	100%
3rd	80%
4th	50%
5th	25%
6th-7th	0%

Once the ranking of the Company's TSR has been determined, the payout percentage is subject to the Company's investment grade credit rating being maintained. An investment grade credit rating is defined as a credit rating of BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's. If the Company's investment grade credit rating is not maintained as of the end of the performance period, then there will be a 30% reduction in the number of PSUs earned.

No payout occurs until after the end of the three-year performance period.

The Compensation Committee will approve the final TSR ranking and corresponding payout percentage, and will determine whether the credit rating modifier requires any reduction in the number of PSUs earned, and will submit such results and its recommendation to the Board for its review and approval.

2018 Equity Awards

The Compensation Committee and the Non-Executive Directors approved awards to the new Executive Directors in 2018. Upon the CEO's hire date, the CEO was granted, under the 2017-2019 LTIP, a prorated number of share units based on the remaining period in the three-year program, split 75% for performance-based awards (492,000 PSUs) and 25% for retention based awards (164,300 RSUs). Additionally, separate from the 2017-2019 LTIP, the CEO received a one-time award of 339,100 RSUs that vest upon his first anniversary of employment, in consideration of equity awards forfeited when leaving his prior employer. In regard to the Chairperson's awards, on December 14, 2018, the Compensation Committee and the Non-Executive Directors approved the Chairperson's compensation package, including a prorated award, under the 2017-2019 LTIP, for the period remaining in the three-year program, split 75% for performance based awards (61,000 PSUs) and 25% for retention based awards (20,300 RSUs). The Chairperson's grants were made in January 2019. The Executive Directors' 2017-2019 LTIP awards follow the 2017-2019 LTIP vesting conditions as described above, except for the RSUs which have two equal vesting installments on June 30, 2019 and June 30, 2020.

With respect to the former Chairman's Retention Award granted in 2014, the final installment of 450,000 shares, vested on July 25, 2018, pursuant to the terms of his employment agreement which specified continued vesting in the event of his death. The outstanding equity awards of the prior CEO forfeited upon his resignation from the Company.

Pension and Retirement Savings

The CEO participates in the same Company sponsored retirement savings programs available to all salaried employees of CNH Industrial America LLC. The Chairperson does not participate in any Company sponsored retirement savings program, but CNH Industrial N.V. pays social contribution fees mandatorily due under UK law.

Other Benefits

We offer customary perquisites and fringe benefits to our CEO, such as a company car, medical insurance, accident insurance, tax preparation assistance, and relocation and retiree healthcare benefits. Furthermore, in the event of an involuntary termination of employment other than for cause, the CEO is entitled to twelve months' base salary, while remaining subject to restrictive covenants, such as non-competition and non-solicitation for a period of two years. Additionally, for the CEO, outstanding equity awards are subject to prorated vesting in the event of death, disability or involuntary termination by the Company, unless for cause. For the Chairperson, no other benefits are applicable except in the event of death or disability, outstanding equity awards are subject to prorated vesting.

In 2018, no payment were made to either the former CEO or the former Chairman, in connection with their respective termination from Company's offices.

Tax Equalization

The CEO, as a function of his global role in the Company, may be subject to tax on his employment income in multiple countries. As the CEO is subject to tax on his worldwide income in the United States, the Company will tax-equalize all employment earnings, including CNH Industrial equity award income, to his United States' effective income tax and, if applicable, social contribution rates. The benefits are included in the Non-Monetary Compensation (Fringe Benefits) column in the remuneration table. As the same need is not foreseen for the Chairperson, there is currently no tax equalization provision in place for the Chairperson.

Stock Ownership

Our Board recognizes the critical role that executive stock ownership has in aligning the interests of management with those of shareholders. With the change in Executive Director leadership in 2018, stock ownership requirements were put in place, in line with prevalent market practice. The Executive Directors are subject to share ownership guidelines which require owning shares with an aggregate value of not less than five (5) times base salary within five (5) years from the start of their respective assignments. Furthermore, the CEO is expected to own Company shares with an aggregate value of not less than 2.5 times base salary by the end of 2019.

Recoupment of Incentive Compensation (Claw back Policy)

The Board is dedicated to maintaining and enhancing a culture focused on integrity and accountability. The Recoupment Policy in the Company's Equity Incentive Plan (the "EIP"), which defines the terms and conditions for any subsequent long-term incentive program, and the Performance and Leadership Bonus plan (the "PLB plan"), which defines the short-term incentive program, as well as in any executive employment agreements, authorizes the Company to recover, or "claw back," incentive compensation with the ability to retroactively make adjustments if any cash or equity incentive award is predicated upon achieving financial results and the financial results are subject to an accounting restatement.

Insider Trading Policy

The Company maintains an Insider Trading Policy applicable to all directors, employees, members of the households and immediate family members (including spouse and children) of persons listed and other unrelated persons, if they are supported by the persons listed. The Policy provides that the aforementioned individuals may not buy, sell or engage in other transactions in the Company's stock while in possession of material non-public information; buy or sell securities of other companies while in possession of material non-public information about those companies they become aware of as a result of business dealings between the Company and those companies; disclose material non-public information to any unauthorized persons outside of the Company; or engage in hedging transactions through the use of certain derivatives, such as put and call options involving the Company's securities. The Policy also restricts trading to defined periods that follow the Company's quarterly earnings releases.

Prohibition on Short Sales (Anti-Hedging)

To ensure alignment with shareholders' interest and to further strengthen our compensation risk management policies and practices, the Company's Insider Trading Policy prohibits all individuals to whom our Insider Trading Policy applies from engaging in a short sale of the Company's or its subsidiaries' securities and derivatives thereof such as options, puts, calls or warrants or any other financial instrument by which the above securities can be acquired or subscribed under any circumstance.

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

The remuneration of Non-Executive Directors is governed by the CNH Industrial N.V. Directors' Compensation Plan, which was approved by the Company's shareholders and is periodically reviewed by the Compensation Committee. The current remuneration for the Non-Executive Directors, which did not change from 2017, is shown in the table below.

Non-Executive Director Compensation	Total
Annual Cash Retainer	$125,000
Additional retainer for Audit Committee member	$25,000
Additional retainer for Audit Committee Chairperson	$35,000
Additional retainer for member of other Board committees	$20,000
Additional retainer for Chairperson of other Board committees	$25,000

At the Annual General Meeting of Shareholders on April 14, 2017, the Company's shareholders approved an amendment to the CNH Industrial N.V. Directors' Compensation Plan. Pursuant to the amendment, implemented shortly after the annual general shareholders meeting, Non-Executive Directors would only be paid in cash, and would no longer have the option to elect to receive their annual retainer fee, committee membership, and committee chair fee payments (collectively, "Fees") in the form of common shares or options to purchase common shares. Remuneration of Non-Executive Directors is fixed and not dependent on the Company's financial results. Non-Executive Directors are not eligible for variable compensation and do not participate in any Company incentive plans.

Directors eligible to receive compensation under the CNH Industrial Directors' Compensation Plan do not receive benefits upon termination of their service as directors.

IMPLEMENTATION OF REMUNERATION POLICY IN 2018

The following table summarizes remuneration paid or awarded to Directors for the year ended December 31, 2018.

($ actual)	Office Held	In Office From/To	Salary/ Annual Fee (cash)	Compensation/ Annual Fee (Equity)(1)	Bonus and Other Incentives (Non-Equity) (2)	Non-Monetary Compensation (Fringe Benefits) (3)	Pension & Similar Benefits (4)	Total Remuneration
MÜHLHÄUSER Hubertus	CEO	09/17/2018 12/31/2018	317,308	2,492,247	553,000	161,630	7,961	3,532,146
MARCHIONNE Sergio	Former Chairman	01/01/2018 07/21/2018	935,554	965,596	—	140,731	798,556	2,840,437
TOBIN Richard	Former CEO	01/01/2018 04/30/2018	430,044	—	—	19,099	58,961	508,104
GEROWIN Mina	Director	01/01/2018 12/31/2018	145,000	—	—	—	17,242	162,242
HEYWOOD Suzanne(5)	Director	01/01/2018 11/29/2018	170,000	—	—	—	—	170,000
HOULE Léo	Senior Non-Executive Director	01/01/2018 12/31/2018	170,000	—	—	—	—	170,000
KALANTZIS Peter	Director	01/01/2018 12/31/2018	170,000	—	—	—	—	170,000
LANAWAY John	Director	01/01/2018 12/31/2018	150,000	—	—	—	—	150,000
SCHEIBER Silke	Director	01/01/2018 12/31/2018	150,000	—	—	—	17,932	167,932
TABELLINI Guido	Director	01/01/2018 12/31/2018	145,000	—	—	—	—	145,000
TAMMENOMS BAKKER Jacqueline	Director	01/01/2018 12/31/2018	145,000	—	—	—	17,242	162,242
THEURILLAT Jacques	Director	01/01/2018 12/31/2018	160,000	—	—	—	19,312	179,312
TOTAL			3,087,906	3,457,843	553,000	321,460	937,206	8,357,415

(1) For the CEO, equity awards were granted upon hire date, effective September 17, 2018. As shown in the table above, for the year ended December 31, 2018, the Company recognized a net share-based compensation expense of $2.5 million for the CEO and $1.0 million for the former Chairman. Not shown in the table, but to note for the former CEO, due to forfeiture of unvested awards, there was income (reversal of expense) of $ 12.5 million in 2018. The former Chairman had 450,000 RSUs that vested on July 25, 2018, with a fair market value of $4.8 million.

(2) For the current CEO, the amount reflects the bonus earned for the performance year 2018, which will be paid in 2019. No bonus was paid to the current CEO in 2018. For the former CEO, no bonus was earned for the performance year 2018; the actual bonus paid in 2018 for the 2017 performance year was $2,486,000. The former Chairman and the current Chairperson received no bonus for the performance years 2018 and 2017.

(3) For the current CEO, the amount includes the use of a company-provided car for personal purposes in the amount of $1,679, taxable group life insurance of $2,485, and relocation expenses of $157,466. For the former Chairman, the amount reflects tax equalization benefits. For the former CEO, the amount includes the use of a company-provided car for personal purposes in the amount of $14,544 and taxable group life insurance of $4,555.

(4) The amounts reflect pension, retirement and similar benefits set aside or accrued for Directors by CNH Industrial for the year ended December 31, 2018.

(5) Non-Executive Director fees are paid to EXOR N.V., in accordance with EXOR’s policy regarding Director compensation for EXOR employees. Fees for the Chairperson's role begin in 2019 and will be paid to Lady Heywood.

Effective September 20, 2013, 200,000 common shares were reserved for issuance under the CNH Industrial Directors' Compensation Plan, as approved by shareholders. Upon the shareholders' approval at the 2017 AGM, an amendment to the CNH Industrial Directors' Compensation Plan no longer permits the use of shares for payment of the Non-Executive Directors' Fees.

Refer to "Share Ownership" for the stock option and share activity for the year ended December 31, 2018 under the CNH Industrial Directors' Compensation Plan and the predecessor companies' plans adopted by CNH Industrial pursuant to the Merger.

If, and to the extent, any changes are made to 2019 remuneration, such changes will be in line with the approved Remuneration Policy.

EXECUTIVE OFFICERS' COMPENSATION

The aggregate amount of compensation paid to or accrued for executive officers that held office during 2018 was approximately $38.5 million, including $2.3 million of pension and similar benefits paid or set aside by us. The aggregate amounts included those paid to or accrued for 17 executives at December 31, 2018.

SHARE OWNERSHIP

Collectively, our Directors and Executive Directors own less than one percent of our outstanding common shares. In 2018, the Company established share ownership requirements for the new Executive Directors; and while the Company has not established a formal policy requiring that non-executive directors hold shares in the Company as long-term investments, the expectation has been communicated to them and they have, in fact, held such shares as long-term investments. The following table summarizes the number of CNH Industrial common shares owned by our directors owned as of December 31, 2018.

(Number)	Common Shares	Special Voting Shares
Mina Gerowin	2,208	-
Léo Houle	57,259	57,259
Peter Kalantzis	2,000	-
John Lanaway	37,286	-
Jacques Theurillat	18,422	-

The following table summarizes outstanding stock options held by CNH Industrial Directors as of December 31, 2018 under the CNH Industrial Directors' Compensation Plan for Non-Executive Directors, the CNH Global Directors' Compensation Plan ("CNH DCP") for Non-Executive Directors and the CNH Global Equity Incentive Plan ("CNH EIP") for Executive Directors. In connection with the Merger, CNH Industrial assumed the sponsorship of the CNH DCP and the CNH EIP on September 29, 2013.

Stock options for Non-Executive Directors expire upon the earlier of (i) ten years after the grant date, or (ii) six months after the date an individual ceases to be a director.

	Grant Date	Exercise Price (in $)	Gerowin	Houle	Total
Beginning Balance as of January 1, 2018					
	03/19/2008	$ 10.77	—	9,286	9,286
	12/28/2013	$ 11.33	6,402	—	6,402
	03/28/2014	$ 11.26	6,442	—	6,442
	06/26/2014	$ 10.25	7,073	—	7,073
	09/24/2014	$ 7.82	9,271	—	9,271
	12/28/2014	$ 8.26	8,777	—	8,777
	04/14/2015	$ 8.25	4,394	—	4,394
	07/13/2015	$ 9.52	3,808	—	3,808
Beginning Total			46,167	9,286	55,453
Vested/Not Exercised			46,167	9,286	55,453
Not Vested			—	—	—
Options Exercised in 2018	03/19/2008	$ 10.77		9,286	9,286
			—	9,286	9,286
Options Granted in 2018					—
			—	—	—
Options Expired in 2018					—
			—	—	—
Ending Balance as of December 31, 2018					
	03/19/2008	$ 10.77	—	—	—
	12/28/2013	$ 11.33	6,402	—	6,402

03/28/2014	$ 11.26	6,442	—	6,442
06/26/2014	$ 10.25	7,073	—	7,073
09/24/2014	$ 7.82	9,271	—	9,271
12/28/2014	$ 8.26	8,777	—	8,777
04/14/2015	$ 8.25	4,394	—	4,394
07/13/2015	$ 9.52	3,808	—	3,808
Closing Total		46,167	—	46,167
Vested/Not Exercised		46,167	—	46,167
Not Vested		—	—	—

Note: On February 12, 2018, Mr. Houle exercised his options granted on 03/19/2008.

The following table summarizes unvested performance share units held by Executive Directors as of December 31, 2018.

	Grant Date	Vesting Date	Weighted Average Fair Market Value	Tobin	Mühlhäuser	Total
Beginning Balance as of January 1, 2018						
	12/12/2017	02/28/2020	$ 6.84	1,650,000	—	1,650,000
Beginning Total				1,650,000	—	1,650,000
Granted in 2018	09/17/2018	02/28/2020	$ 8.51	—	492,700	492,700
Vested in 2018						
Canceled in 2018	12/12/2017		$ 6.84	1,650,000	—	1,650,000
				—	492,700	492,700
Ending Balance as of December 31, 2018						
	09/17/2018	02/28/2020	$ 8.51	—	492,700	492,700
Ending Total				—	492,700	492,700

Note: Lady Heywood was granted 61,000 Performance Share Units in January 2019, as part of her approved compensation.

The following table summarizes unvested restricted share units held by Executive Directors as of December 31, 2018:

	Note	Grant Date	Vesting Date	Weighted Average Fair Market Value	Tobin	Mühlhäuser	Marchionne	Total
Beginning Balance as of January 1, 2018								
		06/09/2014	12/31/2015, 12/31/2016, 12/31/2017, 12/31/2018	$ 10.41	—	—	450,000	450,000
		12/12/2017	06/30/2018, 06/30/2019, 06/30/2020	$ 12.69	550,000	—	—	550,000
Beginning Total					550,000	—	450,000	1,000,000
Granted in 2018		09/17/2018	09/17/2019	$ 11.67	—	339,100	—	339,100
		09/17/2018	06/30/2019, 06/30/2020	$ 11.59	—	164,300	—	164,300
Total Granted in 2018					—	503,400	—	503,400
Vested in 2018	(1)	06/09/2014	07/25/2018	$ 10.41	—	—	450,000	450,000
Total Vested in 2018					—	—	450,000	450,000
Canceled during 2018		12/12/2017		$ 12.69	550,000	—	—	550,000
Ending Balance as of December 31, 2018								

	09/17/2018	09/17/2019	$ 11.67	—	339,100	—	339,100
	09/17/2018	06/30/2019, 06/30/2020	$ 11.59	—	164,300	—	164,300
Ending Total				—	503,400	—	503,400

(1) The grants vested in 2018 and the relevant shares were delivered to Mr. Marchionne's estate on February 26, 2019.
Note: Lady Heywood was granted 20,300 Restricted Share Units in January 2019, as part of her approved Chairperson compensation.

Report on Operations Remuneration Report 111

MAJOR SHAREHOLDERS

As of December 31, 2018, our outstanding capital stock consisted of common shares and special voting shares, with each having a par value of €0.01 per share. As of December 31, 2018, there were 1,353,831,958 common shares and 388,725,624 special voting shares outstanding (net of 10,568,238 common shares and 7,748,652 special voting shares held in treasury by the Company).

The following table sets forth information with respect to beneficial ownership of our common shares and special voting shares by persons who beneficially own 3% or more of combined voting power as a result of their ownership of common shares and special voting shares as of December 31, 2018 based on public information available on the website of the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, the "AFM") and in reference to Company's files.

Name of Beneficial Owner	Number of Common Shares Owned	Percent of Common Shares (a)		Special Voting Shares (b)	Percent of Combined Voting Power (c)	
EXOR N.V.	366,927,900	27.1	%	366,927,900	42.1	%
Harris Associates L.P.	185,027,203	13.7	%	—	10.6	%

(a) There were 1,353,831,958 common shares outstanding as of December 31, 2018. The "Percent of Common Shares" was calculated by using the publicly disclosed number of beneficially owned shares as the numerator, respectively, and the number of the Company's outstanding common shares as of December 31, 2018 as the denominator.

(b) Each special voting share is entitled to one vote therefore attributing, in effect, double voting rights to the common share to which it is associated. The special voting shares have only de minimis economic entitlements, in compliance with Dutch law. The special voting shares cannot be traded and are transferrable only in very limited circumstances together with the associated common shares.

(c) Combined voting power represents common shares and the special voting shares. The "Percent of Combined Voting Power" was calculated as the ratio of (i) the aggregate number of common shares and special voting shares beneficially owned by the shareholder and (ii) the aggregate number of outstanding common shares and special voting shares of CNH Industrial N.V. as of December 31, 2018. There were 1,742,557,582 common shares and special voting shares outstanding at December 31, 2018.

As of December 31, 2018, EXOR N.V.'s voting power in CNH Industrial N.V. was approximately 42.1%. EXOR N.V., through its voting power, has the ability to significantly influence the decisions submitted to a vote of our shareholders, including approval of annual dividends, the election and removal of directors, mergers or other business combinations, the acquisition or disposition of assets and issuances of equity and the incurrence of indebtedness.

Our common shares are listed and can be traded on either the NYSE in U.S. dollars or the MTA in euro. The special voting shares are not listed on the NYSE or the MTA, not tradable, and transferable only in very limited circumstances.

Our shares may be held in the following three ways:

If a shareholder holds common shares directly in his or her own name in the United States, such shares are held in registered form in an account at Computershare Trust Company, N.A., our transfer agent;

Beneficial interests in our common shares that are traded on the NYSE are held through the book-entry system provided by The Depository Trust Company ("DTC") and are registered in the register of shareholders in the name of Cede & Co., as DTC's nominee. Beneficial interests in the common shares traded on the MTA are held through Monte Titoli S.p.A., the Italian central clearing and settlement system, as a participant in DTC;

Special voting shares and the associated common shares are registered in the books and records of the Company's transfer agents in the United States and Italy. As noted above, the special voting shares are not tradable and the associated common shares are blocked from trading in the regular trading system. The associated common shares will become tradable again after their de-registration from the loyalty voting structure.

SUBSEQUENT EVENTS AND OUTLOOK
SUBSEQUENT EVENTS

CNH Industrial has evaluated subsequent events through March 1, 2019, which is the date the financial statements were authorized for issuance, and identified the following:

On January 14, 2019, CNH Industrial announced its new organizational structure to accelerate global growth and profitability, focusing on its five global operating segments (Agriculture, Commercial & Specialty Vehicles, Construction, Powertrain, and Financial Services) supported by Global Functions addressing key synergy and development areas. On the same date, changes to the Global Executive Committee (formerly named Group Executive Council, "GEC") were announced.

U.S. GAAP OUTLOOK(1)

CNH Industrial manages its operations, assesses its performance and makes decision about allocation of resources based on financial results prepared only in accordance with U.S. GAAP, and, accordingly, also the full year guidance presented below is prepared under U.S. GAAP.

The performance achieved in 2018 confirms the Company is on track with a profitable growth trajectory, despite a softer macroeconomic and business environment in the second part of the year, caused by escalating trade tensions and related tariffs across global markets, other economic and political uncertainties (including those concerning the outcome of the Brexit negotiations), and a general expectation of a slowdown in global economic growth. In addition, the emerging megatrends in the industries where CNH Industrial competes, such as digitalization, automation, and electrification, entail a re-assessment of the go to market approach and of the capital investment requirements in new technologies for new products and customer solutions.

Subject to this evolving scenario, CNH Industrial is defining 2019 guidance as follows:

Net sales of Industrial Activities at approximately $28 billion;

Adjusted diluted EPS(2) up between 5% and 10% to previous year at a range of $0.84 to $0.88 per share;

Net industrial debt at the end of 2019 between $0.4 billion and $0.2 billion, with investments in research and development expected to increase over 5% and in capital expenditures by over 25% compared to 2018, with a growing portion of this spend to support development on key megatrends (digitalization, electrification, automation and servitization) and engine regulatory capital investments.

(1) 2019 guidance does not include any impacts deriving from the gain resulting from the modification of the healthcare plan in the U.S. previously mentioned and anticipated on April 16, 2018, as this gain has been considered non-recurring and therefore treated as an adjusting item for the purpose of the adjusted diluted EPS calculation. In addition, 2019 guidance does not include any impacts deriving from possible further repurchases of Company's shares under the plan authorized by the AGM on April 13, 2018.

(2) Outlook is not provided on diluted EPS, the most comparable GAAP financial measure of this non-GAAP financial measure, as the income or expense excluded from the calculation of adjusted diluted EPS and instead included in the calculation of diluted EPS are, by definition, not predictable and uncertain.

Report on Operations Subsequent Events and Outlook 113

March 1, 2019

The Board of Directors

Suzanne Heywood
Hubertus Mühlhäuser
Mina Gerowin
Léo W. Houle
Peter Kalantzis
John Lanaway
Silke C. Scheiber
Guido Tabellini
Jacqueline A. Tammenoms Bakker
Jacques Theurillat

CNH INDUSTRIAL
CONSOLIDATED
FINANCIAL STATEMENTS
At December 31, 2018

CONSOLIDATED INCOME STATEMENT (*)

($ million)	Note	2018	2017(**)
Net revenues	(1)	29,736	27,624
Cost of sales	(2)	24,201	22,763
Selling, general and administrative costs	(3)	2,313	2,230
Research and development costs	(4)	1,110	1,098
Result from investments:	(5)	61	97
Share of the profit/(loss) of investees accounted for using the equity method		61	97
Other income/(expenses) from investments		—	—
Gains/(losses) on the disposal of investments	(6)	(1)	—
Restructuring costs	(7)	63	91
Other income/(expenses)	(8)	383	(173)
Financial income/(expenses)	(9)	(578)	(626)
PROFIT/(LOSS) BEFORE TAXES		1,914	740
Income tax (expense)	(10)	(515)	(284)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		1,399	456
PROFIT/(LOSS) FOR THE PERIOD		1,399	456
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		1,368	439
Non-controlling interests		31	17
(in $)			
BASIC EARNINGS/(LOSS) PER COMMON SHARE	(12)	1.01	0.32
DILUTED EARNINGS/(LOSS) PER COMMON SHARE	(12)	1.01	0.32

(*) Concurrently with the changes following the adoption of the new accounting standards, CNH Industrial reviewed the metrics on which the operating segments will be assessed. Starting in 2018, the Chief Operating Decision Maker began to assess segment performance and make decisions about resource allocation based upon adjusted EBIT and adjusted EBITDA. As a consequence, CNH Industrial no longer reports trading profit and operating profit on the face of the income statement.

(**) 2017 figures have been recast following the retrospective adoption, on January 1, 2018, of the updated accounting standard for revenue recognition (IFRS 15). Reference should be made to paragraph "New standards and amendments effective from January 1, 2018" for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

($ million)	Note	2018	2017(*)
PROFIT/(LOSS) (A)		1,399	456
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on the remeasurement of defined benefit plans	(23)	182	55
Tax effect of Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(23)	(32)	(69)
Total Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss, net of tax (B1)		150	(14)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedging instruments	(23)	(29)	84
Exchange gains/(losses) on translating foreign operations	(23)	(408)	(213)
Share of Other comprehensive income/(loss) of entities accounted for using the equity method	(23)	(41)	33
Tax effect of Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	(23)	5	(11)
Total Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss, net of tax (B2)		(473)	(107)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX (B) = (B1) + (B2)		(323)	(121)
TOTAL COMPREHENSIVE INCOME/(LOSS) (A)+(B)		1,076	335
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		1,051	320
Non-controlling interests		25	15

(*) 2017 figures have been recast following the retrospective adoption, on January 1, 2018, of the updated accounting standard for revenue recognition (IFRS 15). Reference should be made to paragraph “New standards and amendments effective from January 1, 2018” for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($ million)	Note	At December 31, 2018	At December 31, 2017(*)	At January 1, 2017(*)
ASSETS				
Intangible assets	(13)	5,497	5,644	5,504
Property, plant and equipment	(14)	5,963	6,830	6,278
Investments and other financial assets:	(15)	592	631	554
Investments accounted for using the equity method		555	590	505
Other investments and financial assets		37	41	49
Leased assets	(16)	1,774	1,845	1,907
Defined benefit plan assets		25	28	5
Deferred tax assets		853	982	997
Total Non-current assets		14,704	15,960	15,245
Inventories	(17)	6,719	6,453	5,729
Trade receivables	(18)	395	496	623
Receivables from financing activities	(18)	19,175	19,795	18,614
Current tax receivables	(18)	356	303	430
Other current assets	(18)	1,390	1,501	1,234
Current financial assets:		98	77	95
Current securities	(19)	—	—	—
Other financial assets	(20)	98	77	95
Cash and cash equivalents	(21)	5,803	6,200	5,854
Total Current assets		33,936	34,825	32,579
Assets held for sale	(22)	10	13	22
TOTAL ASSETS		48,650	50,798	47,846

(*) 2017 figures have been recast following the retrospective adoption, on January 1, 2018, of the updated accounting standard for revenue recognition (IFRS 15). Reference should be made to paragraph “New standards and amendments effective from January 1, 2018” for further details.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

($ million)	Note	At December 31, 2018	At December 31, 2017(*)	At January 1, 2017(*)
EQUITY AND LIABILITIES				
Issued capital and reserves attributable to owners of the parent		7,443	6,671	6,497
Non-controlling interests		29	13	10
Total Equity	(23)	7,472	6,684	6,507
Provisions:		5,051	5,977	5,351
Employee benefits	(24)	1,763	2,587	2,532
Other provisions	(25)	3,288	3,390	2,819
Debt:	(26)	24,543		