

ROTMAN EUROPEAN TRADING COMPETITION (RETC)

AWARDS CEREMONY

**Address from Sergio Marchionne,
CEO of Fiat Chrysler Automobiles
& Chairman and CEO of Ferrari**

LUISS “Guido Carli” University of Rome

Saturday, 27 August 2016 – 7:30 p.m.

Good evening to you all.

It is a pleasure to be here with so many young people who are in the course of actively creating their dream for the future.

I would like to thank LUISS for putting together this initiative.

It is a source of great hope for us here, and indeed for all Europeans, to see so many young people from across the EU united by your keen interest in the financial markets and your desire to test yourselves against each other and the realities of those markets. Even more importantly, you are united by your desire to take on challenges, grow and create something of value. You are putting into practice the ideals upon which our Union was founded but, so far, have all too often failed at the political level.

I wanted to start by showing you a brief video about Ferrari because I think it is a good point to begin our conversation tonight.

As you may know, we listed Ferrari in October 2015. Before the listing, I spent a lot of time meeting with potential investors and I was often puzzled at how difficult it was to get them to change their standard way of looking at a business.

Ferrari is very profitable but the business model is a little peculiar. We sell fewer cars than the market demands. In fact, there is a waiting list and at times customers are disappointed because they can't get the car they want. Because of Ferrari's brand power, this puts us in a very strong position when it comes to the pricing and it is also key in maintaining high residual value for our cars. Despite this, I found myself constantly having to answer questions about volume growth, which is not a priority for Ferrari in the same way that it would be for a mass-market automotive brand.

What surprised me was the reluctance of investors and analysts to see things a different way. And I'm telling you this because part of the legacy left to us by Enzo Ferrari is exactly the ability to look at things differently. If he had looked at the world the same way everybody else did, Ferrari would not be the legend it is today.

Constantly questioning things and having the flexibility and courage to be able to change your approach is an invaluable trait for long-term success.

I'd like to share with a quote from Mark Twain that many of you probably know because it also kicks off the movie "*The Big Short*":

It ain't what you don't know that gets you into trouble.

It's what you know for sure that just ain't so.

It's an apt introduction to the movie's central theme of how and why the subprime crisis erupted, but I believe it also serves as an epigraph for the current era.

In this new era – marked by significant and rapid change – what were once held as certainties have been swept away and the business models we followed for decades are no longer valid.

Nowhere has this been more evident than in the auto sector.

An industry with such a poor track record has to accept that a new business model is imperative. The mass-producers, in particular, need to accept that a complete change in operating model is necessary and independence is no longer sustainable. This is why I have called more than once for industry consolidation as the most logical solution to the systemic problems facing the auto sector.

The same disruptive change has taken place in the financial sector.

Wonderful as it sounded, globalization changed the game: a fact that went unnoticed by the vast majority of participants, including national and global regulators.

What we experienced was the inevitable consequence of a system that is completely open and a world where there are no geographic or economic boundaries. The Economist described this problem some time back as “the fragility of perfection”.

The greater the interdependence within the system, the more far reaching the effects of disruption in one part of it. In finance, the “originate and distribute” model of bank lending may have dispersed risk, but it also meant that problems in the American housing market damaged banks and investors around the world.

Few, if any, would have predicted some of the most powerful investment banks would collapse, with the effects spreading both worldwide and across sectors.

A system that for centuries had been based on integrity, responsibility and trust, was suddenly turned upside down by two unrelated factors: the emergence of a greed-driven and self-centered culture and the inadequacy of planning and control mechanisms at board level.

Investment bankers believed in a story of never-ending success and huge bonuses, while private bankers “crossed” the line, sometimes more than one, ignoring legal constraints in order to secure new clients.

The eventual impact on the financial system was huge.

As Vice Chairman of UBS, the Zurich-based global bank that I joined in early 2007, I found myself dealing with an organization under severe stress – an experience that has proven invaluable.

Like all other banks, UBS was deeply affected.

My fellow directors and I had to rapidly adapt to the new environment. We undertook a major review of the bank's internal structure and introduced changes, including the relationships among top managers and between management and the Board of Directors.

Three Chairmen, three CEOs and three CFOs later, the bank is finally re-emerging as a viable financial player.

But what the events proved was the inadequacy of governance systems. Even more importantly, they pointed to the need to rethink capitalism itself, the reestablishment of markets as being the governing framework for economies, but not for society.

This is a subtle but not inconsequential distinction.

Markets cannot be the determining factors of a just and equitable society, because they have no conscience and no moral understanding.

Left as the operative mechanism of society at large, they will treat human life itself as a commodity. And this cannot be.

I'm telling you this because you have chosen to work in the financial sector. Whatever specific area you are interested in – equities, bonds, derivatives, trading, investment, M&A, portfolio management, risk management, etc. – it is important that you understand the nature of financial markets and, above all, your role and obligation to act responsibly.

The power wrought by the free market in a global economy is not at issue.

Nobody can hold the market back or change how it functions.

Neither do I think it would be desirable to do so.

An open and level playing field guarantees the opportunity for all to compete equally and a free market has opened the door to opportunities as never before.

But efficiency is not – and should not be – the only element to regulate our lives.

There is a limit beyond which profit becomes greed and those who operate in a free market also have the obligation to act within the bounds of good conscience.

There is a reality out there that must not be overlooked.

We all need to understand that there can never be rational markets, growth and economic well-being if a large part of our society has nothing to bargain with other than their own lives.

The raw pursuit of profit, detached from moral responsibility, not only robs us of our humanity but it also jeopardizes our long-term prosperity.

I am convinced that we are at a crucial crossroads.

Creating the conditions for virtuous change is the real challenge of our times.

To reconstruct efficient and fair economies, separate but interconnected.

To promote globalization that truly serves man, all men.

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One thing I was asked to do today was talk about the skills and personal qualities that a multinational like ours expects from someone who joins our organization – from a 21st Century leader.

I'll start by sharing my own experience when I was more or less the same age as you.

When I first entered the workplace, I figured that I should emulate my boss -- be tough, show no heart, just execute flawlessly and fast. I thought that was the way to be a leader and so I acted like that for a while.

One day, I walked into the office of the top HR guy and I told him I wanted to be a CFO. He looked at me and said, "*You are never, ever going to be a CFO*".

And then he took me to the cleaners about what he thought I was missing, which basically came down to the human skills needed to interface with people.

I walked out of his office almost devastated. I had been emulating the CFO, and I thought I was doing a pretty good job.

That conversation led me to some soul searching.

I realized that I had been doing things that were totally out of character for me, and I accepted the need to change.

I began to understand that a command-and-control approach worked only for the short term, because folks do what you say only because they fear you. But it severely limits how long people will follow you and how well they will do their assignments.

I no longer try to emulate others.

The way I am today is completely in character with who I am, and I am absolutely comfortable doing what I do.

Today at FCA, as well as Ferrari and CNH, we have zero interest in people who are individual superstars. The era of a single great man who succeeds by imposing his will on an organization is over.

I personally spend the equivalent of about a month every year on about a thousand HR reviews, because I am a fanatical believer in the importance of leadership.

These reviews center on two qualities that I believe are essential to being a successful leader.

The first is the ability to lead an agenda of change.

As I said in my opening, change is inevitable, and it occurs at an accelerated pace in an era of globalization and rapid technological advances. You cannot afford to blindly hold on to old ways of doing things, even if they have worked in the past.

Nevertheless, whenever you try to initiate serious change, a chorus of cynics will tell you that it won't work, or that things are just not done that way.

Cynicism is easy. It takes both vision and courage to believe in something better.

I go all out to surround myself with people who are capable of leading in a world where certainty is not available, who are comfortable to operate in a world in flux.

People who can envision things that could be, instead of how things always have been. People who are willing to risk the discomfort of failure. People who ask questions and challenge long-held assumptions.

The second essential trait of a leader is their capacity to lead people.

I constantly remind our leaders that one of their fundamental responsibilities is to provide guidance and support to help other people develop their professional abilities and their human qualities.

When all is said and done, the true value of a leader is not measured by what he has gained during his career but rather by what he has given.

It is not what you accomplish today, but the legacy you leave behind.

A lesson that I have learned over my career is that in every organization, people count more than process.

Especially within such a large multinational organization as ours, the most important element is the human connection, the millions of human relationships that must be nourished every day.

Besides defining development plans and deploying strategies, our real priority resides on a much more human level.

This means that we recognize the impact that our choices can have on our people and on society as a whole. It means that we fully accept the responsibility that comes with the privilege of leading our organization.

I believe **this is** the essence of leadership: personally assuming the moral duty to do something, to act, to take part in the process of building the future. Acknowledging one's own responsibility to give future generations hope for something better.

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Two more things before I take your questions: some advice and an invitation.

Advice not because I have been overcome by wisdom to pass on to you.

It is simply because -- while you are at the outset of your career, or preparing to take that step -- I would like to share with you what I see as the most important qualities for the next generation of leaders.

So, my first recommendation is: **whatever strong beliefs you now hold, stay open to changing yourself and your path.** If you get stuck in a workplace that stifles your creativity and development, recognize what is happening and do your utmost to get into a better environment.

Second: **never count the hours, but make the hours count.** Remember that we are all called to a higher purpose, which is to pursue our goals with respect for human dignity and the needs of society, both for today as well as future generations.

It completely changes your outlook on life if you point your efforts to the simple objective of trying to make a difference.

My third bit of advice is, whatever you do, always aim high and dream big. For one very simple reason: because mediocrity is never worth the trip.

And the last thought I'd like to leave with you is a passage from a great work of science fiction by Ray Bradbury, "Fahrenheit 451":

"Everyone must leave something behind when he dies, my grandfather said.

It doesn't matter what you do, he said, so long as you change something from the way it was before you touched it into something that's like you after you take your hands away.

The difference between the man who just cuts lawns and a real gardener is in the touching, he said. The lawn-cutter might just as well not have been there at all; the gardener will be there a lifetime."

Bradbury is right.

The value we bring to anything is best measured by what remains after we have gone.

It is measured by what we have changed for the better. It lives on in those we have helped grow.

This is the message of hope, and also the invitation, I would like to leave with you today.

Whatever you decide to do with your future, always do it with this simple objective in mind: to make a difference every day.

Be like gardeners, investing your energies and talents in such a way that everything you do endures a lifetime...or even longer.

Thank you very much for having me and I look forward to taking your questions.