



# **REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE**

Pursuant to article 123-bis of Legislative Decree 58/1998 (Consolidated Finance Act – TUF)

Management and control model: **traditional**

Issuer: **SALINI IMPREGILO S.p.A.**

Website: **[www.salini-impregilo.com](http://www.salini-impregilo.com)**

Year to which the Report refers: **2018**

Date of approval of the Report by the Board of Directors: March 27, 2019



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## GLOSSARY

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**Board/Board of Directors:** the Board of Directors of Salini Impregilo S.p.A.

**Code/Corporate Governance Code:** The Corporate Governance Code of listed companies approved lastly in July 2018 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime e Confindustria.

**Consob issuers' Regulation:** the Regulation issued by Consob with Resolution no. 11971 of 1999 (as subsequently amended) concerning Issuers.

**Consob market Regulation:** the Regulation issued by Consob with Resolution no. 20249 of 2017 concerning markets.

**Consolidated Finance Act/TUF:** Legislative Decree no.58 of February 24<sup>th</sup>, 1998, (as subsequently amended and supplemented)

**Financial Year:** the Financial Year to which the Report refers – (Financial Year 2018).

**Issuer/Company/Salini Impregilo:** Salini Impregilo S.p.A.

**Italian Civil Code:** il Codice Civile.

**Operations Regulation with Consob Related Parties:** the Regulation issued by Consob with Resolution no. 17221 of March 12<sup>th</sup>, 2010 (and subsequent amendments and supplements) concerning transactions with related parties.

**Report:** this report on corporate governance and ownership structures prepared pursuant to art. 123-bis of the TUF.

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## INTRODUCTION

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This report on corporate governance and ownership structure (the “Report”), drawn up in compliance with the format provided on purpose by Borsa Italiana S.p.A. (Eighth Edition – January 2019), aims at illustrating the *corporate governance* model adopted by Salini Impregilo, providing a summary description of the actual implementation procedures of the traditional administration and control model used by the Issuer.

The *corporate governance* structure adopted by Salini Impregilo is based on guidelines set out in the “Self-Regulatory Code” approved in March 2006 by the Committee for Corporate Governance and last amended in July 2018, available to the market on the website of the Committee for Corporate Governance <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm> (the “Code” or “Self-Regulatory Code”), as it believes that having a well-structured governance system allows the Issuer to operate with maximum efficiency and also ensures greater levels of transparency, thus increasing investors’ confidence in the Issuer.

This Report has been approved by the Board of Directors of Salini Impregilo S.p.A. of March 27<sup>th</sup>, 2019 and has been issued in the “*Governance - Governance System - Corporate Governance Report*” section of the Company’s website.



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## 1. ISSUER PROFILE

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Salini Impregilo S.p.A. is an issuer with shares listed on the Mercato Telematico Azionario (electronic stock exchange) organised and managed by Borsa Italiana S.p.A.<sup>1</sup>. The Company is subject to the management and coordination of Salini Costruttori S.p.A., pursuant to Art. 2497 and subsequent of the Italian Civil Code and adheres to the Corporate Governance Code.

The Company is not included in the definition of PMI (Small Medium Enterprises) pursuant to Art. 1.1, letter w-quater 1) of TUF and Art. 2-ter of the Consob Issuers' Regulation.

Operating in 50 Countries with more than 35,000 employees of 100 different nationalities and an order book totalling € 33.4 billion at the end of 2018, the Salini Impregilo Group is a global player in the construction of complex large-scale infrastructures.

In particular, the list of the Top 250 International Contractors released in 2018 by the American specialised magazine Engineering News Record (ENR) confirmed the place of the Group in the Top 10 in the USA market and it has secured its entry in the Top 10 in the Middle East market.

Management and the entire Group are committed to operating in accordance with environmental, ethical and professional principles, which comply with the highest international criteria for corporate governance and citizenship.

The Company adopted a **Code of Ethics**<sup>2</sup> that contains the general principles and values that inspire the Issuer's and Group's activities, both internally and with third parties, thus representing a tool designed to safeguard, guarantee and protect the Group's assets and reputation.

The Company also adopted an **Anti-Corruption Model**<sup>3</sup>, further and important tool for implementing the Company's internal Control and Risk Management System, which aims at strengthening pre-existing prevention protocols and at expressly stating the need to abide by applicable international regulations, especially the FCPA-Foreign Corrupt Practices Act and the UKBA-UK Bribery Act.

Salini Impregilo also ascribes significant importance to **Corporate Social Responsibility**<sup>4</sup>. To that-end, the Company adheres to the United Nations Global Compact, the global initiative aimed at promoting a sustainable global economy, by respecting human and work rights, environmental safeguard and anti-corruption.

The Governance System of Salini Impregilo – based on the traditional administration model and applying with the international best practice standards – represent a fundamental tool to grant an efficient management of the Group and, at the same time, a tool for efficiently controlling every business activity, consistently with the purpose of creating value for and protect the interests of all the stakeholders.

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<sup>1</sup> Salini Impregilo S.p.A. is a result from the merger of Salini S.p.A. into Impregilo S.p.A., with effect from January 1<sup>st</sup>, 2014 (see the deed of merger drawn up by Carlo Marchetti notary public in Milan, filed under No. 10520, of Folder no. 5396 of November 26<sup>th</sup>, 2013).

<sup>2</sup> The Company's Code of Ethics is published on the Company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance – Governance System" section.

<sup>3</sup> The latest version of the Anti-Corruption Model dated 2018, is published on the Company website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance – Internal Control and Risk Management - Anti-Corruption Compliance" section.

<sup>4</sup> The non-financial Consolidated Statement of Salini Impregilo, drawn up in accordance with Legs. Decree 254/2016 and GRI Sustainability Reporting Standards, within which are proposed the actions and implemented systems to integrate the ten ethical principles of the Global Compact in the Company strategy and in the Company's daily activities, is published on the Annual Financial Report.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (ART. 123-BIS.1 OF THE TUF)

### a) Share capital structure

The share capital structure of Salini Impregilo of € **544,740,000.00** fully subscribed and paid-up is shown in the following table:

SHARE CAPITAL STRUCTURE AT THE DATE OF THIS REPORT				
	<i>No. of shares</i>	<i>% of capital</i>	<i>Share Capital</i>	<i>Rights and obligations</i>
<b>Ordinary shares</b>	492,172,691	99.67	MTA	Voting right in Ordinary and Extraordinary Meetings of the Company. Other rights provided by the applicable provisions by law and by the Company's Bylaws <sup>5</sup> .
<b>Multiple voting Shares</b>	0	0		-
<b>Shares with a limited voting right</b>	0	0		-
<b>Savings shares</b>	1,615,491	0.33	MTA	Voting right in special meeting of the category. Other rights provided by the applicable provisions by law and by the Company's Bylaws (Articles 8 and 33).
<b>Total</b>	493,788,182	100.00	MTA	

The Company's shares have no nominal value<sup>6</sup>, are indivisible, registered and issued, following centralised uncertificated procedures, in the centralised book entry management system of Monte Titoli S.p.A. To the date of this Report, there are no other categories of shares, nor Salini Impregilo has issued other financial instruments that give the right to subscribe newly issued shares. To the date of this Report, the Issuer does not have any stock bonus plan involving increasing, even for free, of the share capital.

### b) Restrictions on the transfer of securities

Salini Impregilo does not have any restrictions on the transfer of securities, nor limits to the number of shares held nor the approval of governance bodies or Shareholders for admitting new shareholders within the shareholding structure.

### c) Significant investments in share capital

Shareholders with investments exceeding 3% of the Issuer's ordinary share capital are currently:

SIGNIFICANT INVESTMENTS IN THE SHARE CAPITAL AT THE DATE OF THIS REPORT				
<i>Declarant</i>	<i>Direct shareholder</i>	<i>N. of shares</i>	<i>% of ordinary shares</i>	<i>% of capital entitled to vote</i>
Simonpietro Salini	<b>Salini Costruttori S.p.A.</b>	<b>367,592,786</b>	<b>74.687%</b>	<b>74.890%</b>
	<b>Simonpietro Salini</b>	<b>3,700,000</b>	<b>0.752%</b>	<b>0.754%</b>

<sup>5</sup> The Company's Bylaws can be seen on the website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance – Governance System" section.

<sup>6</sup> The nominal amount of the ordinary shares and savings shares have been eliminated in the extraordinary session of Shareholders' Meeting on October 12<sup>th</sup>, 2004.

**d) Securities conferring special rights**

The Company's Bylaws do not contain any provisions on multiple or majority voting rights, nor the Company has issued any securities with special control rights.

**e) Employee share ownership schemes: mechanism for the exercise of voting rights**

At the date of this Report, there are no systems for employee share ownership envisaging mechanisms for the exercise of voting rights, where not directly exercised by the employees themselves.

**f) Restriction on voting rights**

Referring to the shares constituting the ordinary share capital of Salini Impregilo, The Bylaws do not include provisions that determine restrictions on voting rights, nor terms imposed for exercising voting rights, nor systems where with the cooperation of the Company, the financial rights linked to the shares are separated from shareholding.

Pursuing to Art. 8 of the Bylaws, savings shares do not have the voting rights within the ordinary shareholders' meetings.

**g) Shareholder agreements**

The Issuer is not aware of any shareholder agreements, considered to be material under Article 122 of the TUF.

**h) Change of control Clause**

The Issuer and its subsidiaries, in pursuing their own strategic goals, have entered into some agreements of a financial nature or contracts, which, by taking effect, amend or terminate in the event of a change of shareholders controlling the Issuer.

Disclosure of the specifics contained in the agreements could cause serious damage to the Company and its subsidiaries.

Salini Impregilo's Bylaws do not depart from the measures regarding the *passivity rule* pursuant to Article 104.1 and 1-bis of the Consolidated Finance Act (TUF), nor do they provide for application of the breakthrough rules envisaged by Article 104-bis, paragraphs 2 and 3, of the TUF.

**i) Delegated powers regarding share capital increases and to authorize the purchase of own shares**

***Delegated powers to increase share capital***

Article 7 of the Bylaws appoints the Board of Directors with: (i) the delegate power to increase share capital, on one or more occasions and, in any event, in tranches, with the exclusion of option rights pursuant to Articles 2443 and 2441.4, second sentence, of the Italian Civil Code, namely against payment and in cash, by issuing, also in tranches, a number of ordinary and/or savings shares that does not exceed 10% of the total number of Salini Impregilo shares outstanding on the date that the Delegated Power is exercised and in any case for a nominal amount that does not exceed €100,000,000.00 (one hundred million) and with the said Board being able to establish an additional price; (ii) the delegated power, pursuant to Articles 2443 and 2420-ter of the Italian Civil Code, to increase share capital, on one or more occasions and, in any event, in tranches, against payment or for free, for a maximum nominal amount of €200,000,000.00 (two hundred million) and to allow convertible bonds for a maximum amount equal to €400,000,000.00 (four-hundred million), even with the exclusion of the option right pursuant to Art. 2441.4, first part (i.e. to issue new ordinary and/or savings shares to be paid through contribution in kind) and/or paragraph 5 (i.e. when the interest of the company so requires) of the Italian Civil Code; (iii) the delegate power, pursuant to Art. 2443 of the Italian Civil Code to increase share capital, on one or more occasions and, in any event, in tranches, against payment, also with the exclusion of the option right pursuant to Article 2441.5 (i.e. through the issue of new shares to be offered to individuals - including directors, contract workers and/ consultants – in respect of which there is no employee-employer relationship with the company and/or its subsidiaries and/or parent companies), paragraph 6 and/or 8 (i.e. through the issue of new shares to employees of the company and/or its subsidiaries and/or parent companies) of the Italian Civil Code. and/or to increase share capital, free of charge, pursuant to Article 2349 of the Italian Civil Code, (i.e. through the issue of new shares to offer free of charge to employees of the company and/or its subsidiaries drawn from the profits or profit reserve), for a maximum nominal fee

of € 30,000,000.00 (thirty million) to service the remuneration plans based on financial instruments pursuant to Article 114-bis of the TUF.

These proxies can be exercised by the Board of Directors by April 29, 2020<sup>7</sup>.

#### **Authorization to repurchase treasury shares**

At the moment, there are no effective authorization for the purchase of treasury shares.

The Board of Directors, in the light of what has been decided by the Ordinary Shareholders' Meeting on September 19<sup>th</sup>, 2014, is currently authorized to sell and/or in any event dispose of all the treasury shares held without any time limit using any of the methods allowed by the prevailing applicable regulations (also through subsidiaries) at a sale price to be established from time to time.

At the date of this Report, Salini Impregilo owns no. 1,330,845 treasury shares, equal to 0.27% of the ordinary share capital and to 0.269% of the total share capital.

#### **l) Management and coordination**

The Company is subject to the management and coordination, pursuant to Article 2497 and sub. of the Italian Civil Code, by Salini Costruttori S.p.A., as confirmed by the Board of Directors on December 12<sup>th</sup>, 2013.

The information required by Article 123-bis.1.i) of the TUF ("*agreements between companies and their directors ....that provide for compensation in the case of their resignation or dismissal without just cause or if their relationship is discontinued following a takeover bid*") is set out in the 2019 Remuneration Report published pursuant to Article 123-ter of the TUF, according to the terms provided for by the Law. The information required by Article 123-bis. 1.l) of the TUF ("*the rules applicable about the appointment and replacement of directors, and changes to the Bylaws, if different to those provided for by law and regulations applicable on a substitute basis*") is disclosed in the section on the Board of Directors in this report (section 4.1).

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### **3. COMPLIANCE**

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#### **3.1. ADHERENCE TO THE CORPORATE GOVERNANCE CODE**

Salini Impregilo adheres to the Corporate Governance Code approved in March 2006 and whose last amendment dates July 2018, by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, and publicly accessible on the website of the Corporate Governance Committee at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/>

The following paragraphs specify the provisions of the Corporate Governance Code that the Company has adopted, with details of the relevant implementing rules.

\* \* \* \* \*

Salini Impregilo and its strategically significant subsidiaries - Impregilo International Infrastructures N.V. (identified as such on March 12<sup>th</sup>, 2007) and Lane Industries Incorporated (identified as such on July 14<sup>th</sup>, 2016)- are not subject to non-Italian legal dispositions that influence the Issuer's corporate governance structure.

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<sup>7</sup> With regard to what has not been mentioned here, please refer to the Directors' Report and to the minutes of the Shareholder's Meeting of April 30<sup>th</sup>, 2015, published on the company website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance - Shareholders' Meeting" section, in the documentation of said extraordinary Meeting of April 30<sup>th</sup>, 2015.

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## 4. BOARD OF DIRECTORS

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### 4.1 APPOINTMENT AND SUBSTITUTION

#### Appointment of the Board of Directors

Pursuant to Article 20) of the Bylaws of Salini Impregilo, the Company is administered by a BoD composed of a minimum of seven to a maximum of fifteen people.

Directors may not be appointed for a period exceeding three years which expires on the date of the Shareholders' Meeting held to approve the financial statements of the last year of their term of office, and may be re-elected.

The Shareholders' Meeting, prior to proceeding with the appointment, shall determine the number of members of the Board of Directors and the term of office of Directors within the above limits.

Taking (and remaining in) office as a Director is subject to meeting the requirements set by the legislation and regulations in force at the time of appointment.

Directors are elected using lists submitted by the shareholders and the outgoing Board of Directors in which the candidates are listed in numeric sequence, as specified below, in compliance with applicable legislation on gender equality and minimum number of directors possessing the independence requirements prescribed by law and by the company's Bylaws, according to the number of members of the Board of Directors.

The lists shall expressly indicate candidates who meet such independence requirements.

The lists shall be deposited, as detailed in the notice calling the meeting, at the Company's registered office at least twenty-five days before the date of the first call of the Shareholders' Meeting.

Shareholders, shareholders forming part of significant shareholder agreements as per Article 122 of the TUF, the parent, subsidiaries and jointly controlled entities pursuant to Article 93 of the TUF, cannot submit or participate in the submission of more than one list, either directly or through a third party or a nominee, nor can they vote for more than one list, either directly or through a third party or a nominee. Acceptances or votes breaching such prohibition shall not be assigned to any list.

Lists may be filed only by Shareholders who, alone or together with other Shareholders, hold shares representing in the aggregate at least 2% of the share capital with the right to vote at Ordinary Shareholders' Meetings, or a lower percentage that may be required pursuant to imperative provisions of laws or regulations.

By Managerial Decision no. 13 of January 24<sup>th</sup>, 2019, Consob has established a minimum percentage of participation (2.5%) required for the presentation of lists for the election of the directors and statutory auditors of Salini Impregilo, pursuant to Article 144-quarter of the Consob Issuers' Regulation, without prejudice to the lower minimum percentage provided by the Bylaws (2%), as mentioned above.

Together with each list and within the respective time limits stated above, the shareholders must file: (i) statements whereby each candidate accepts his/her candidature and states, under his/her own responsibility, the non-existence of any reasons for ineligibility or incompatibility and the existence of the requirements for the relevant offices; (ii) a professional and personal profile of each candidate and mention of whether they qualify as independent and any offices held as director or statutory auditor in other companies; and (iii) any other information that is requested in the notice calling the shareholders' meeting.

A certificate issued by a legally-authorized intermediary must also be filed, within the time limit established in the rules governing the publication of lists by the Company, showing ownership of the number of shares necessary to submit lists at the date of filing of the list with the Company.

Lists containing a number of candidates greater than or equal to three shall consist of candidates belonging to both genders, in order that at least one third (in any case rounded up) of candidates belong to the less represented gender.

Lists submitted that do not meet the above requirements will be treated as if they had not been submitted.

During the appointment of the Board of Directors one must proceed as follows: If at least one list obtains a number of votes representing at least 29% of the Company share capital entitled to vote at the Ordinary Shareholders' Meeting, all Directors except one shall be taken from the list with the highest number of votes, in the progressive order in which they are shown on the list, while the remaining Director shall be taken from the minority list that has obtained the highest number of votes and is not connected in any

way, even indirectly, with the shareholders who filed or voted the list that obtained the largest number of votes.

If the first two lists obtain the same number of votes, from each of said lists, in the order in which they were listed in the list itself, an equal number of Directors minus one shall be taken and the remaining Director shall be taken from the list which, in terms of number of votes, came third and is not connected in any way, not even indirectly, with those who submitted or voted the lists that obtained the highest number of votes.

If only two lists have been submitted and these have received the same number of votes, the remaining Director will coincide with the oldest candidate among those not already taken from such lists.

If none of the lists receives votes equal to at least 29% of the share capital with voting rights at ordinary shareholders' meetings, directors are taken from all the lists submitted as follows: the votes received by the lists will be divided successively by progressive whole numbers from one to the number of Directors to be elected. The resulting scores shall be assigned to the candidates of each list in consecutive order using the order in which they are included in the lists. The candidates are then included in a single decreasing order list, based on the scores given to each one. Those with the highest score are elected. If more than one candidate has the same score, the one from the list that has not had any director elected from it or has had the smallest number of directors elected is taken.

Lists that do not obtain a vote percentage equal to at least half that set by the Bylaws for the submission of lists shall not be considered.

If, with the candidates elected in the manner described above, the necessary number of Directors belonging to the less represented gender or the minimum number of directors meeting the independence requirements established by law is not ensured, depending on the number of members of the Board of Directors compliant with the regulations in force at any time, the candidate elected last in sequential order in the list receiving the highest number of votes shall be replaced by the first candidate, as appropriate, of the less represented gender and/or meeting the independence requirements provided for by law, not elected from the same list according to the sequential order.

This replacement procedure shall be continued until the composition of the Board of Directors complies with applicable legislation.

If this procedure does not produce this result, substitution shall take place on the basis of a resolution adopted by a relative majority of the Shareholders' Meeting, after candidates with the necessary requirements are placed in nomination.

Should no list be filed or accepted, the Shareholders' Meeting shall adopt resolutions with the majorities required by law, without complying with the above-mentioned procedure, in order to ensure in any case the presence of the necessary number of Directors who meet the independence requirements prescribed by law, and compliance with the applicable legislation on gender equality.

The list voting procedure is only used when an entire board is being appointed.

The Board of Directors elects, pursuant to Art. **21** of the Bylaws, a Chairman from among its members and, if necessary, one or two Deputy Chairmen who will replace the Chairman in the event of his absence or impediment.

Concerning the composition of the Board of Directors, in particular referring to the representation of the minorities of shareholders and the number and characteristics of the Directors, the Issuer is not subject to further rules in addition to the provisions of the TUF.

\* \* \* \* \*

The Board of Directors, during its renewal, can express its opinion on managerial figures (not only professional ones), whose presence is deemed adequate, pursuant to Application Criterion 1.C.1. letter h) of the Code. Should the Board of Directors itself present a list for its own renewal, it shall involve the Compensation and Nominating Committee, pursuant to Art. 5 of the Code.

### **Replacement of Directors.**

Pursuant to Article 20 of the Bylaws, if, during the year, one or more directors leave, as long as the majority is always composed of Directors appointed by the Board, the Board of Directors shall replace them pursuant to Article 2386 of the Italian Civil Code, appointing candidates, in consecutive order from the list to which the former director belonged, and who are still eligible and willing to accept the position. Directors who have left office are always replaced: (i) ensuring the presence of the necessary number of directors with the independence requirements established by law and (ii) in compliance with the applicable legislation on gender equality.

If the majority of Directors appointed by the Shareholders' Meeting cease to be in office, the remaining Directors shall be deemed to be no longer in office, effective as of the date when the Board of Directors is reconstituted through election by the Shareholders' Meeting.

#### **Non-competition pursuant to Article 2390 of the Italian Civil Code**

Under Article 20 of the Statute, unless otherwise resolved by the Shareholders' Meeting, Directors are not subject to the veto referred to in Article 2390 the Italian Civil Code.

#### **Remuneration of the Board of Directors.**

Under Article 20 of the Statute, the Shareholders' Meeting shall determine the remuneration of the Board of Directors and may determine the procedures for its division among directors, should the remuneration be determined for the entire Board.

Board members are entitled to reimbursement of expenses incurred by reason of their office.

The remuneration of directors with special duties is determined by the Board of Directors, upon proposal from the Compensation and Nominating Committee and positive opinion of the Board of Statutory Auditors.

For further information regarding the remuneration of the Board of Directors, please refer to the 2019 Remuneration Report, published in the terms provided for by the law.

#### **SUCCESSION PLANS**

With respect to Criterion 5.C.2 of the Code, the Board of Directors approved a Succession Plan for the Executive Director (the "**Plan**") defined, also on the basis of the relevant proposals made by the Compensation and Nominating Committee. The sole Issuer's Executive Director is the Managing Director, as set out in the following paragraph 4.5.

The current Plan - which has been approved by the Board of Directors on March 19<sup>th</sup>, 2014 following a previous preliminary assessment made by the Compensation and Nominating Committee - envisages the applicable procedures to guarantee a continuity of the corporate management in any case where the CEO leaves office before his/her mandate has reached its normal term, even by taking every necessary decision for the present immediate situation, ascribing adequate proxies and powers to the Chairman of the Board of Directors.

The Plan provides for appointing the Chairman of the Board of Directors to identify a possible successor of the CEO. The Chairman, after consultation with the Compensation and Nominating Committee, will also be required to prepare a proposal for the Board of Directors.

According to the Plan, the role of the Compensation and Nominating Committee is to assess, on an annual basis, whether to revise the Plan. However, the Board of Directors has the power to (i) call on, whenever it wishes, the Compensation and Nominating Committee to propose a revision of the plan providing guidelines or (ii) to revise the plan directly.

The Compensation and Nominating Committee, lastly during the meeting of February 5<sup>th</sup>, 2019, has proceeded with the annual revision of the Plan and decided to maintain the current Plan, excluding the need to modify its projections. The Board held on March 15<sup>th</sup>, 2019, approved and embraced the assessment of the Compensation and Nominating Committee, confirming the current Succession Plan.

## 4.2 COMPOSITION

The Salini Impregilo Shareholders' Meeting held on April 30<sup>th</sup>, 2018, appointed the current Board of Directors for three years and, therefore, until the date of approval of the financial statements at December 31<sup>st</sup>, 2020, based on the applications submitted by means of the following 3 lists.

LISTS FOR THE RENEWAL OF THE BOARD OF DIRECTORS (submitted to the Meeting of April 30 <sup>th</sup> , 2018)			
Shareholder submitting the list	no. shares submission list % of the ord. share cap.	Candidates of the list	% vote (of the voting capital)
Salini Costruttori	329,643,649 66.977%	<ol style="list-style-type: none"> <li>1. Pietro Salini *</li> <li>2. Marina Brogi *</li> <li>3. Giuseppina Capaldo *</li> <li>4. Mario Giuseppe Cattaneo *</li> <li>5. Roberto Cera *</li> <li>6. Alberto Giovannini *</li> <li>7. Nicola Greco *</li> <li>8. Maria Raffaella Leone *</li> <li>9. Geert Linnebank *</li> <li>10. Giacomo Marazzi *</li> <li>11. Franco Passacantando *</li> <li>12. Laudomia Pucci *</li> <li>13. Alessandro Salini *</li> <li>14. Grazia Volo *</li> </ol>	92.32%
Shareholder submitting the list	no. shares submission list % of the ord. share cap.	Candidates of the list	% vote (of the voting capital)
Law Firm Trevisan & Associati <sup>8</sup>	8,289,833 1.684%	<ol style="list-style-type: none"> <li>1. Ferdinando Parente *</li> <li>2. Fabiola Mascardi</li> </ol>	5.90%
Inarcassa	5,014,426 1.019%	<ol style="list-style-type: none"> <li>1. Giuseppe Santoro;</li> <li>2. Franco Fietta.</li> </ol>	1.716%

\*Candidates elected in appliance with the provisions of the Article 20 of the Bylaws (see Section 4.1)

Since end of the financial year, no further change has been made to the Board of Directors, which results being currently composed of:

Alberto Giovannini	Chairman	Non-Independent	Non-Executive
Pietro Salini	Chief Executive Officer	Non-Independent	Executive
Nicola Greco	Deputy Chairman	Independent	Non-Executive
Marina Brogi	Director	Independent	Non-Executive
Giuseppina Capaldo	Director	Independent	Non-Executive

<sup>8</sup> On the behalf of shareholders: (1) Aletti Gestielle SGR S.p.A managing the funds: Gestielle Cedola Italy Opportunity, Gestielle Obiettivo Italia, Gestielle Obiettivo Europa, Gestielle Absolute Return and Gestielle Cedola Multitarget 2; (2) Amundi SGR S.p.A. managing the fund Amundi Risparmio Italia; (3) Arca Fondi S.G.R. S.p.A. managing the funds: Arca Economia Reale Bilanciato Italia 30 e Fondo Arca Azioni Italia; (4) Eurizon Capital SGR S.p.A. managing funds: Eurizon Progetto Italia 20, Eurizon Pir Italia 30, Eurizon Progetto Italia 70, Eurizon Azioni Pmi Italia, Eurizon Pir Italia Azioni and Eurizon Progetto Italia 40; (5) Eurizon Capital S.A. managing the fund Eurizon Fund - Equity Small Mid Cap Italy; Eurizon Investment Sicav - PB Equity Eur; (6) Fideuram Asset Management (Ireland) managing the funds: Fideuram Fund Equity Italy and Fonditalia Equity Italy; (7) Fideuram Investimenti SGR S.p.A. managing the funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50 and Piano Bilanciato Italia 30; (8) Interfund Equity Italy - Interfund Sicav; (9) Generali Investments Luxembourg managing the funds: Gsmart Pir Evoluz Italia and Generali Investments Luxembourg - Gsmart Pir Valore Italia; (10) Mediolanum Gestione Fondi SGR S.p.A. managing the fund Mediolanum Flessibile Sviluppo Italia; (11) Ubi Pramerica SGR S.p.A. managing the funds: Ubi Pramerica Mito25 and Mito 50.



Mario Giuseppe Cattaneo	Director	Independent	Non-Executive
Roberto Cera	Director	Non-Independent	Non-Executive
Maria Raffaella Leone	Director	Independent	Non-Executive
Geert Linnebank	Director	Independent	Non-Executive
Giacomo Marazzi	Director	Independent	Non-Executive
Ferdinando Parente	Director	Independent	Non-Executive
Franco Passacantando	Director	Independent	Non-Executive
Laudomia Pucci	Director	Independent	Non-Executive
Alessandro Salini	Director	Non-Independent	Non-Executive
Grazia Volo	Director	Non-Independent	Non-Executive

Further information concerning the composition of the Board of Directors at end of Year can be seen in Table 1, which is attached to this Report. As concerns the curricula with professional information of each Director is available on [www.salini-impregilo.com](http://www.salini-impregilo.com), in the “Governance – Board of Directors and Committees” section.

\* \* \* \* \*

#### DIVERSITY POLICIES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors itself is responsible for the Diversity Policies in the composition of the Board of Directors (pursuing to Article 10 of the Legislative Decree no. 254/2016 and Article 123bis.2, letter d-bis of the TUF), upon previous preliminary investigation of the Compensation and Nominating Committee, upon hearing the Independent Directors.

The tools used by the Board of Directors to define the afore-mentioned policies are:

- (i) The annual Board Evaluation (to seize upon the Directors’ orientation, in particular relating to matters of gender, age and educational and professional background;
  - (ii) The orientation of the Board of Directors for Shareholders, at the time of the renewal of their offices.
- The objectives of the Diversity Policies are represented by the increased effectiveness of the operation of the management body, considering the specificities of the Group's business.

#### Gender diversity

GENDER DIVERSITY IN THE CURRENT BOARD OF DIRECTORS		
	<i>Male Gender</i>	<i>Female Gender</i>
<b>No. Directors</b>	<b>10</b>	<b>5</b>
<b>%</b>	<b>67%</b>	<b>33%</b>

The composition of the current Board of Directors complies with the provisions of the law with regard to gender quotas, and in addition of the Law no. 120/2011<sup>9</sup>, also with the Application Criterion 2.C.3. of the Governance Code providing that “At least one third of the Board of Directors is composed of Directors of the less represented gender”.

<sup>9</sup> The law provides for the less represented gender to obtain, on the first renewal of the Board, starting from August 12<sup>th</sup>, 2012 (date on which the aforesaid law entered in force), at least one fifth of the elected Directors and at least one third in the following two mandates.

The Board of Directors, in addition to having added specific provision in matter of gender diversity in the composition of the Board of Directors in its Bylaws, in compliance with the afore-mentioned law (see Article 20 of the Bylaws), has also expressly adhered to the Governance Code – July 2018 edition – including precise references in matter of criteria for the gender diversity (referred to by the Principles 2.P.4. and 8.P.2. of the Code) for the composition, respectively of the Board of Directors and of the Board of Statutory Auditors, starting from the first office of those bodies after the Law no. 120 of July 12<sup>th</sup>, 2011 has ceased to have effect.

In particular, the Board of Directors has decided to:

- (i) take in consideration the aforesaid forecast in presenting its list of candidates at the renewal of the offices, as well as in case of replacement of directors pursuant to articles 20 of the Bylaws and 2386 of the Italian Civil Code;
- (ii) evaluate, during the Board Evaluation, the composition of the Board of Directors, in relation also to gender diversity;
- (iii) recommend to the Shareholders, during the directors' reporting to the Shareholders on the point in agenda and/or during the Orientation pursuant to Application Criterion 1.C.1. letter h), of the Governance Code, the presentation of lists which consider the provisions and indications on the matter of gender diversity.

In all the aforesaid activities, the Board of Directors avails itself of the Compensation and Nominating Committee, which takes care of the necessary preliminary investigation, illustrating the results to the Board itself.

#### **Age diversity**

AGE DIVERSITY OF THE CURRENT BOARD OF DIRECTORS				
	41-50 years old	51-60 years old	61-70 years old	> 70 years old
<b>no. Directors</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>3</b>
<b>%</b>	<b>7%</b>	<b>33%</b>	<b>40%</b>	<b>20%</b>

With regard to the **diversity in terms of age** in the context of the Board of Directors, it is verified in self-assessment on the basis of the Criterion 1.C.1. letter g), of the Code, also for the purpose of the development of the Board of Directors' orientation towards the Shareholders' Meeting - on the renewal of the company positions, according to Application Criterion 1.C.1., letter h), on managerial professional positions whose position in the Board is deemed appropriate, having regards also to the age

The current diversity of age of the Board of Directors shown above is believed to be appropriate by the Board of Directors, according to the results of the Board Evaluation relevant to Financial Year 2018. At the moment, the Board has decided not to adopt any specific policy on the matter of age diversity.

#### **Diversity of the educational and professional background.**

This aspect is also evaluated by the Board Evaluation for the purpose of a possible presentation of a list of candidates for the office of Director (in case the outgoing Board of Directors were to avail itself of such faculty, pursuant to Art. 20 of the Bylaws), or for the purpose of the development of the Board of Directors' orientation towards the Shareholders' Meeting - on the renewal of the company positions, according to Application Criterion 1.C.1., letter h), on managerial professional positions whom position in the Board is deemed appropriate.

The Company shall also ensure the continuous training and information on the main issues relating to the activities of the Group.

The effectiveness of training and information activity is verified during the Board Evaluation in order to find further training requirements as well as to verify the results of the Diversity Policy concerning educational and professional background.

For what is not listed here, please refer to paragraph 4.3 in terms of Board Evaluation, and to Chapter 7-8 regarding the activities of the Compensation and Nominating Committee regarding the nominations.

#### MAXIMUM NUMBER OF POSITIONS HELD IN OTHER COMPANIES

The Board of Directors, with formal decision, has expressed the following orientation on matter of the maximum number of positions possibly held by Directors of Salini Impregilo in the Administrative and Auditory bodies in other “significant sized companies”<sup>10</sup>, establishing also criteria for computing them<sup>11</sup>.

<b>Maximum number of positions</b>	✓ <b>4 positions</b> , with regard to Executive Directors
	✓ <b>6 positions</b> , with regard to Non-Executive Directors members of the Executive Committee (should this be established)
	✓ <b>8 positions</b> , with regard to Non-Executive Directors who are not members of the Executive Committee (should this be established)

The Board will be able to rule on derogation, even temporary, on the afore-mentioned maximum number of positions, duly explaining the reasons why of this derogation and communicating it in the Report. At the date of this Report, any of the current Directors has exceeded the above-mentioned limits, during the Financial Year, the Board was not in itself called upon to rule any derogation on the maximum number of positions.

#### INDUCTION PROGRAM

In order to provide the Directors and Statutory Auditors with an adequate background to the Issuer’s sector, its characteristics and developments as well as the relevant legislative framework, the Chairman ensures, pursuant to Criterion 2.C.2 of the Corporate Governance Code that:

- the Board of Directors and the committees (through their Chairmen) are informed thereof during their meetings, also through the participation, at these meetings, of managers and technicians who have the necessary expertise to provide information on particularly complex or important issues;
- directors not part of committees are invited to attend committee meetings when this information is provided.

In particular, during the Board of Directors’ meetings, the main characteristics and peculiarities of the Salini Impregilo’s business and its Group, its economic sector, its corporate governance model as well as the applicable regulation, have been provided to the Board of Directors’ members and the Statutory Auditors, also with the support of the Top Management.

In the light of the detailed studies during the meetings of Directors and Auditors, as well as during the meetings with the management, there has been no need for specific induction sessions, nor they have been required. At the end of the activity of the Board Evaluation 2018,

Directors have also expressly confirmed that participating to the Board’s meeting has contributed to give them a suitable knowledge of the Group and the industrial environment in which it is located, as well as the specific and peculiar characteristics of the Company’s business.

<sup>10</sup> Orientation stated on December 12<sup>th</sup>, 2007 and confirmed on February 23<sup>rd</sup>, 2017. Significant sized companies are: a) Italian companies listed on Italian or other EU state regulated markets and the companies issuing financial instruments to the public in significant quantities pursuant to Art. 116 of the TUF; b) banks, financial brokers pursuant to Article 107 of Legislative Decree no. 385 of September 1<sup>st</sup>, 1993, stock brokerage companies pursuant to Article 1.1.e) of the Consolidated Act (TUF), variable capital investments companies (OEICs) pursuant to Article 1.1.i) of the TUF, fund management companies pursuant to Article 1.1.o) of the TUF insurance companies pursuant to Article 1.1.s), t) and u) of Legislative Decree no. 209 of September 7<sup>th</sup>, 2005, set up as companies as per paragraphs V, VI and VII, section V, chapter V of the Italian Civil Code, different from those of the point a); c) companies as per paragraphs V, VI and VII, section V, chapter V of the Italian Civil Code that individually or collectively at group level, if they prepare consolidated financial statements, show: i) revenue from goods and services of more than €500 million; or ii) assets of more than €800 million.

<sup>11</sup> In computing are not to be considered: (i) positions in companies that are directly and/or indirectly controlled by Salini Impregilo; (ii) positions in companies that directly and/or indirectly control Salini Impregilo or that are subject to the direct and/or indirect control of Salini Impregilo; (iii) positions as alternate statutory auditor. positions held in significant sized companies belonging to the same group which is not that of the Issuer are considered to have the following “weight”: first position: 1; second position: 1,5; from three up: 2.

### 4.3. ROLE OF THE BOARD OF DIRECTORS

#### Tasks and functions of the Board of Directors.

Pursuant to Article **24** of the Bylaws, the Board of Directors has the widest powers for the company's ordinary and extraordinary management, with no exceptions. It has the power to perform all those actions that it deems suitable to carry out the company's activities as per its business object or related activities, except for those actions reserved exclusively for the shareholders by law.

The Board of Directors may resolve to establish or close branches in Italy or abroad, reduce the share capital in the event of a shareholder withdrawal, amend the Bylaws to comply with changes in legislation, transfer the registered office within Italy, and carry out

a merger and spin-off, in compliance with the provisions of Articles 2505 and 2505 bis of the Italian Civil Code.

In addition to what has been mentioned above, the Company's Board of Directors, even pursuant to criterion 1.C.1, letter f), of the Italian Civil Code, reserved itself the right, in addition to the proxies that have been permanently given to it by the Bylaws, the exclusive competence concerning any inherent decision:

- to exercise of voting rights (a) at extraordinary meetings of the shareholders of the strategic subsidiaries and (b) at ordinary meetings of the aforementioned shareholders of the strategic subsidiaries called to appoint their directors;
- to examine and approve the Budget, the Business Plan and the Commercial Plan/Acquisition Plan;
- of performing all significant transactions that do not require shareholder approval as per the "Regulations for related party transactions", approved from time to time;
- of purchasing and selling equity investments in companies, consortia or other entities, not included in the Group's perimeter, including companies or business units, for an amount exceeding €50 million.

Pursuant to criterion 1.C.1., letter a), of the Italian Civil Code, the Board of Directors:

- the strategic, business and financial plans of the Issuer and its Group, and to periodically monitor their implementation, carried out through the exam and the Board's deliberation of the information on the Issuer's management and the appointed Group provided by the managing director;
- the Issuer's corporate governance system;
- the structure of the Group headed by the Issuer.

With regard to Criterion 1.C.1., letter e), of the Italian Civil Code, during institutional meetings, assessed the general performance of the management system even with regard to programmed targets, also by particularly considering, the information received by the delegated bodies.

Pursuant to criterion 1.C.1, letter C), of the Italian Civil Code, and after a positive feedback of the Risk Control Committee, the Board of Directors assessed the adequacy of the organizational, administrative and accounting structure of the Issuer and of its subsidiaries that are strategically significant for Impregilo International Infrastructures N.V. and Lane Industries Incorporated Ltd, with particular reference to the internal control and risk management system

#### Operations of the Board of Directors

The Board of Directors meets regularly and organises and operates in order to ensure the effective performance of its role. (Principle 1.P.1. of the Governance Code).

Directors acts and decide in the full knowledge and in autonomy, pursuing the objective of the production of value for shareholders in the medium-long term. (Principle 1.P.2. of the Governance Code).

During the Financial Year, there were 16 meetings of Board of Directors; on average each meeting lasted one and half hour.

Please see Table 1, attached to this Report, for information on the percentage of meetings attended by each Director during the year.

The 2019 Financial Year calendar (available on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance – Corporate Events" section) envisages 4 meetings of the Board of Directors. In 2019 six meetings of the Board have been held.

The Board, as part of the self-assessment process carried out in 2018, acknowledged that the Chairman, assisted by the board secretary, has provided the directors with the available documentation and information about the issues to be discussed before each meeting so that they can be prepared beforehand, and to have ensured their confidentiality through specific safeguarding measures for the Directors and Statutory Auditors to access documentation.

In particular, the timing of the activities observed in the Financial Year for the provision of the documentation preparatory to the board and the committee meetings is the following:

- **the same day of the summons (six days before the meeting) or the following day:** executive summary to each subject, if applicable, containing: (i) the summary of the subject discussed, (ii) the draft resolution of the required proposal, (iii) the list of the reference documents;

- **the same day of the summons or in any case at least three days before the meeting:**

**il giorno stesso della convocazione o comunque almeno tre giorni prima della riunione:** documentation of point (iii).

In cases where, for emergency reasons or for the Issuer's particular requirements, the documentation has been provided in a shorter time, an in-depth and appropriate discussion of the matters during board and committee meeting was carried out.

According to the outcomes of the 2018 Board Evaluation, the Board of Directors deemed the pre-meeting information complete and reasonable the pre-meeting information provided during the Financial Year.

The documentation concerning the activities carried out by the Board of Directors and by its Committees established within it, is ensured maximum confidentiality and can only be accessed through specific systems by Directors and Statutory Auditors. In particular, because of the importance acknowledged to the pre-meeting information provided by the Company and, at the same time, to the protection of confidentiality, during the Financial Year the Company has provided for adopting a new IT platform for the availability of documents necessary for the Directors and Auditors' activities. The new platform ensures, compared to the previous system, certain technical devices for a better availability of contents entered in the platform and, at the same time, a better protection of the confidentiality of documents. In addition to all the above, during the Financial Year, the Company has also examined twice the Relevant and Privileged Information Management, in order to implement the process of safeguarding of this information, making it more compliant to the applicable law, the best practice, the internal procedures and the business information flows.

The board meetings were usually attended by the secretary and the Manager in charge of financial reporting. When appropriate, experts and managers of the Issuer and its group companies also participated, depending on the matters to be discussed, to ensure the proper and profitable working of the meetings and to provide any in-depth information necessary.

The Chairman ensured that the items on the agenda were each allowed enough time to guarantee their complete and constructive discussion and to analyse the supporting documentation.

Directors expressed their positions and contributed to the meetings.

#### **BOARD EVALUATION CONCERNING THE FINANCIAL YEAR 2018.**

Pursuant to Application Criterion 1.C.1, letter g), of the Code, the Board of Directors has performed the annual evaluation of the functioning of the Board itself and its Committee, as well as of their size and composition, taking into account elements such as professional, experience (even of management) and gender characteristics of its members, as well as their seniority of office, also relating to the diversity criteria provided by the Article 2 of the Code.

To carry out this Board Evaluation the Board has followed the structured procedure, composed of these phases:

- (i) the preliminary investigation of the Compensation and Nominating Committee – within the competence of the Nominating Committee- for the identification of the modalities through which proceed to the Board Evaluation 2018. This preliminary investigation has been carried out involving the Independent Directors, invited to intervene during the meeting of this Committee;
- (ii) predisposition by a Compensation and Nominating Committee as Nominating Committee – with the contribution of the Independent Director and the appointed business functions – of a self-evaluation questionnaire to be submitted to the Board of Directors for the due evaluations;
- (iii) Approval of the self-assessment questionnaire by the Board of Directors, with simultaneous appointment of a proxy for the Internal Audit Function for collecting the results of the questionnaires, ensuring the anonymity of the Directors;
- (iv) the verification of the results of the Board Evaluation by the Internal Audit function that provides the analysis of the indications and comments derived from the process of the questionnaires
- (v) the predisposition by the Internal Audit Function of a report for the Board of Directors on the results of the Board Evaluation;

- (vi) the discussion, by the Compensation and Nominating Committee, and by the Independent Directors, in an ad-hoc meeting, of the results of the Board Evaluation;
- (vii) the discussion, by the Board of Directors, of the main results of the Board Evaluation and planning possible solution to improve the main points.

To carry out self-assessment activities of 2018, no external consultant was used.

In sum, the results of the Board Evaluation 2018 have shown that:

- the composition of the Board, also in terms of gender and age diversity, is considered reasonable and is such that each Director has adequate professional experience, both in management and at an international level, in the various important issues providing the greatest support to the activities of the corporate bodies, including technical, economic, financial and legal issues. Thanks to this combination of professional experience, the Board of Directors has fulfilled and will continue to fully discharge all of its functions and duties
- the documentation and information available on the issues to be discussed have been provided to the directors in a clear and comprehensive manner before each meeting, ensuring an appropriate level of confidentiality in processing the pre-meeting information and that, therefore, the directors participate in the work of the Board appropriately, and actively contribute to the discussion and decisions taken;
- the number of board meetings held, their duration, interval and frequency appear to be adequate;
- the issues to be resolved by the Board of Directors have been thoroughly examined and the empowered bodies have provided information to the Board of Directors on the activities carried out in exercising the powers conferred upon them;
- the directors take part in initiatives aimed at increasing their awareness of the Group situation and industrial environments where it is located, as well as of specific and peculiar characteristics of the business.
- the number of independent directors is considered appropriate in relation to the composition of the Board of Directors and for the activities carried out by the company
- in the performance of the duties of their office, the Board of Directors is supported by the Internal Committees. The dimensions, expertise and experience of these Committees are such that they are able to effectively carry out their respective tasks.

With regard to the assessments expressed by the Independent Directors, these have resulted to be in line with the above-mentioned overall trend

\* \* \* \* \*

With respect to criterion 1.C.4. of the Code, Article **20** of the Bylaws provides that, unless otherwise resolved by the Shareholders' Meeting, Directors are not subject to the ban referred to in Article 2390 the Italian Civil Code. In 2018 and 2019, to the present date, there were no critical issues or needs of an organizational nature that required a request to the Shareholders' meeting to make exemptions from the above-mentioned ban.

#### **4.4. EMPOWERED BODIES**

##### **CHIEF EXECUTIVE OFFICERS**

The Board of Directors may delegate part of its powers to one or more Directors, setting limits and proxy operating methods. It may appoint Directors and Representatives, who do not necessarily have to be Board members, and establishes their powers (Art. **25** of the By-laws).

The Board of Directors appointed Pietro Salini as CEO on April 30<sup>th</sup>, 2018. It gave him the legal power to represent the Company and signatory powers with third parties and in court. He also has powers to manage the company (those powers for which the Board of Directors as in paragraph 4.3 do not detain an exclusive right) and may delegate responsibility for the organization and running of certain business activities.

The CEO, Pietro Salini, is in charge of running the company (Chief Executive Officer).

As required by criterion 2.C., it should be noted that no *interlocking directorate* situation exists, given that the CEO does not hold directorships in any other Italian listed companies.

#### **CHAIRMAN OF THE BOARD OF DIRECTORS**

The Board, on April 30<sup>th</sup>, 2018 has appointed as Chairman Alberto Giovannini, who has representative and has signatory powers with third parties and in court pursuant to Article **28** of the Bylaws. The Chairman does not have special strategic decision-making powers. The Chairman is not in charge of running the Company (*Chief Executive Officer*) nor is he the majority shareholder of the Issuer

#### **DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS**

The Board, on April 30<sup>th</sup>, 2018 has appointed as Deputy Chairman Nicola Greco, with the power to substitute the Chairman in case of his absence or impossibility. The Deputy Chairman has representative and has signatory powers with third parties and in court pursuant to Article **28** of the Bylaws in case of absence or impossibility of the Chairman.

#### **EXECUTIVE COMMITTEE (ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE TUF)**

The Board of Directors, pursuant to Art. **25** of the Bylaws, may delegate all or part of its powers (not reserved to it by law) to an Executive Committee consisting of a number of members less than half of the Board of Directors, including the CEO, who acts as Chairman of the Executive Committee. Currently, the Board of Directors has not established the Executive Committee.

#### **INFORMATION FOR THE BOARD OF DIRECTORS**

The CEO, on a quarterly basis, and whenever particular needs required it, reported the information concerning the proxies and the most significant operations of the year to the Board and to the Board of Statutory Auditors.

The Board of Directors, according to the provisions of Criterion 4.C.1. letter d) of the Corporate Governance Code, has also been informed, in the first meeting available, by the Chairmen of the Committees part of the Board of Directors, with regards to the main activities carried out.

The Risk Control Committee, pursuant to Criterion 7.C.2. letter f) of the Code, also reported to the Board of Directors, every six months, as regards the main activities carried out in the relevant period, and on the adequacy of the Internal Control and Risk Management System.

#### **4.5. OTHER EXECUTIVE DIRECTORS**

The Board of Directors currently consists of one executive director, who can be qualified as such pursuant to Criterion 2.C.1 of the Code and 14 non-executive directors.

#### **4.6. INDEPENDENT DIRECTORS**

Among the current 15 Directors, 10 are Independent pursuant to Article 148.3.b) and c), of the TUF, as well as pursuant to Criterion 3.C.1 of the Corporate Governance Code, as ascertained by the Board of Directors on April 30<sup>th</sup>, 2018 (for the renewal of the current Board of Directors), of March 15<sup>th</sup>, 2019, during the annual verification, as per the press release of the same date) and of March 27<sup>th</sup>, 2019, referring specifically to the Chairman, following the Board decision which awards him a compensation for his office. In this regard, also refer to the Compensation Report 2019).

The current Independent Directors are Marina Brogi, Giuseppina Capaldo, Mario Giuseppe Cattaneo, Nicola Greco, Maria Raffaella Leone, Geert Linnebank, Giacomo Marazzi, Ferdinando Parente, Franco Passacantando and Laudomia Pucci.

The periodic evaluation of the requirements of independency of the Directors are carried out by the Board of Directors after a preliminary investigation by the Compensation and Nominating Committee – within the function of the Nominating Committee.

The Board of Statutory Auditors, in light of the Criterion 3.C.5. of the Code, checked the correct application of the criteria and procedures adopted to check independence by the Board. The outcome of such further periodic evaluation, concerning what has been ascertained by the Board of Directors on March 15<sup>th</sup> and 27<sup>th</sup>, 2019, will be communicated by the Board of Statutory Auditors during its report to the Meeting.

With regard to criterion 3.C.6 of the Code, during the Year two Independent Directors meeting were held in particular, to examine the results of the Board Evaluation of the Financial Year 2017 as well as to perform further evaluation on the role of Independent Directors.

The Independent Directors have not agreed, within the list for the appointment of the Board, to maintain their independence throughout their term of office and, if necessary, to resign.

#### 4.7. LEAD INDEPENDENT DIRECTOR

As the requirements of the Criterion 2.C.3. of the Code are not met, the Board has not deemed it necessary to designate an independent director as *lead independent director*.

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### 5. HANDLING OF COMPANY INFORMATION

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Pursuant to Criterion 1.C.1, letter j), of the Corporate Governance Code to guarantee to correctly handle company information, the Board of Directors held on December 19<sup>th</sup>, 2018, approved, under proposal by the CEO, an update of the “*Procedure for the management of Privileged Information*” which takes into account the new regulations introduced by the provisions contained in the Regulation (EU) No. 596/2014, in the Implementing Regulation (EU) No. 347/2016, in the TUF - as in light of the above-mentioned provision - taking into account the “Guidelines on the Management of the Privileged Information” provided by Consob in October 2017.

The Procedure, in particular, sets out the general principles in relation to:

- the definition of subjects involved in the process and classification and rating of the privileged information as well as the implementation of the Procedure;
- individuation and management of the specific relevant and privileged information;
- management and maintaining Privileged Information Register;
- protection of confidentiality of Privileged Information;
- external communication of documents and Relevant and Privileged Information;
- implementation of the procedure for delay in communicating privileged information.

Said procedure is addressed and applies to all those who, due to their work, profession or to their function, have access, to privileged information concerning the Issuer. In particular, the procedure addresses: Salini Impregilo’s directors, statutory auditors, managers, and employees; as well as all the parties working in favour of Salini Impregilo.

This Procedure provides specific obligations for the employees of Salini Impregilo, in order to ensure the confidentiality of privileged information possibly obtained, as well as a confidentiality obligation for directors and auditors of Salini Impregilo, relating to information and documents acquired by carrying out their tasks, as well as, in general, contents of discussions occurred during the Board of Directors and its Committees meetings and during the activity of the Statutory Board.

The Procedure also provides that the Corporate & Finance General Director holds the responsibility regarding the adoption of the decisions on the identification of the Privileged Information, as well as, after having heard from the CEO, the definition of the timing of publication of the above-mentioned, and the possible overdue activation of the Procedure (without prejudice to the fact that, in some cases, this determination may be directly performed by the Board of Directors, if it is relating to an act due to that body and it is compliant with the time limits provided by the applicable law).

The Procedure provides for penalties to be applied to the parties that violate it.

The “*Procedure for the management of Privileged Information*” is available on the Company’s website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the “*Governance – Procedures and Regulations*” section.

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To ensure transparency toward the market about important operation concerning the purchase, the selling, the subscription and the exchange of Salini Impregilo’s ordinary and saving shares, as well as that of financial instruments relating to that, performed – directly or indirectly – by people appointed with important powers to make decisions about business and who have access to privileged information (“relevant subjects”), the Board of Directors of the Company has adopted, since the March 2006, a Code of Conduct relating to Internet Dealing (“Code of Conduct”).



The current Code of Conduct, approved by the Board of Directors on September 26<sup>th</sup>, 2018, also envisages a Black Out Period (a period during which no operation on Salini Impregilo's ordinary and savings shares or on any financial instruments connected to the same, may be performed by relevant subjects, except for expressly provided exceptions), lasting 30 calendar days before communicating to the market the approval by the administrative body, of the project of the annual financial statement, and of other periodic financial reports whose publication is mandatory in appliance with the applicable law and regulations from time to time.

The "Code of Conduct relating to Internal Dealing of Salini Impregilo S.p.A." is available on the Company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance – Procedures and Regulations" section.

## 6. BOARD COMMITTEES

The Internal Committees of the Board of Directors established thus far are the following: Compensation and Nominating Committee (Section 7-8), Risk Committee (Section 10) and the Committee for Related - Party Transactions (Section 12).

For the Issuer, as it is subject to management and coordination by Salini Costruttori S.p.A., Article 16, paragraph 1, letter d) of the Consob Markets Regulation and the Principle 7.P.4 of the Code apply. According to these, subsidiaries subject to management and coordination by another company must have an internal control committee composed of independent directors. The foregoing also applies to the other committees recommended by the Corporate Governance Code, where established.

The composition of the Issuer's committees complies with the provisions.

The decision to set up just one committee to combine the nomination and remuneration functions is based on organizational and efficiency requirements as the functions are complementary and comply with the provisions of Article 4 of the Code.

The Board of Directors has not retained functions attributed to one or more of its committees by the Code.

## 7.- 8. COMPENSATION AND NOMINATING COMMITTEE

### COMPOSITION AND DUTIES OF THE NOMINATING COMMITTEE

The Board, on May 9<sup>th</sup>, 2018, after the renewal of the administrative body during the Meeting of April 30<sup>th</sup>, 2018, set up a Compensation and Nominating Committee, which in addition to the duties assigned under Article 6 of the Code to the Compensation Committee, also carries out the duties assigned by Articles 5 and 6 of the Code, as Code rules regarding the composition of the two committees have been complied with and attainment of the objectives is guaranteed

The Compensation and Nominating Committee of the Company is currently composed of 3 members, as follows:<sup>12</sup>

CURRENT COMPENSATION AND NOMINATING COMMITTEE		
<b>Marina Brogi</b>	Chairman	non-executive Independent Director
<b>Geert Linnebank</b>	Member	non-executive Independent Director
<b>Laudomia Pucci</b>	Member	non-executive Independent Director

<sup>12</sup> In the Financial Year 2018, before the renewal of the Board of Directors in the Meeting on April 30<sup>th</sup>, 2018, the Compensation and Nominating Committee was composed of Marina Brogi (Chairman), Nicola Greco, Geert Linnebank and Laudomia Pucci.

The members of the Compensation and Nominating Committee have adequate financial and accounting knowledge and experience, even as regards compensation policies, as ascertained by the Board of Directors during the appointment.

The Compensation and Nominating Committee, whose activities are coordinated by its Chairman, meets anytime the Chairman of the Committee deemed it to be necessary, with the most suitable frequency to perform its functions. It meets also under justified request made by at least one of its members (or two members, in case the Committee is composed of more than 3 members) to its Chairman or to the Chairman of the Statutory Board.

During the Financial Year 2018, the Compensation and Nominating Committee met 11 times with meetings averaging roughly one hour and twenty minutes. Further information concerning the percentage of participation of each component of the Compensation and Nominating Committee at the meetings held during the Financial Year, are shown in the Table 1, attached to this Report.

After the end of the Financial Year to this date 4 meetings have been held by the Compensation and Nominating Committee.

At certain specific meetings related to specific items of the agenda, under invitation by the Chairman of the Committee, the Chairman and the Deputy Chairman of the Board of Directors, the CEO, the Corporate & Finance General Director, as well as the Director appointed with drawing up accounting document of the Company, the HR & Organization & Systems Director as well as other Directors of the Issuer have intervened any time the Committee has deemed it to be necessary and functional for a more effective discussion about the items of the agenda.

Directors are required to intervene in the Committee regarding proposals related to their compensation, due to the Board of Directors.

Pursuant to Criterion 4.C.1, letter d), of the Code, the Chairman of the Compensation and Nominating Committee referred during the first meeting of the Board of Directors, of the activities carried out in each session of said Committee.

#### **Duties of the Committee**

In its meeting of May 9<sup>th</sup>, 2018, the Board of Directors resolved to give the Compensation and Nominating Committee the following duties, pursuant to Articles 5 and 6 of the Code. Therefore, the Compensation and Nominating Committee is vested with the following functions:

WITH REGARD TO NOMINATIONS	
✓	the submission to the Board of Directors of opinions about the Board's size and composition as well as recommendations about professional figures considered to be suitable as Board members
✓	the presentation to the Board of Directors of candidates when Directors need to be co-opted, if independent directors are to be replaced.
✓	Express opinions on topics provided by the application Criteria 1.C.3 and 1.C.4 of the Code
✓	Perform a preliminary investigation on the drawing up of the Succession Plan for the Executive Directors, pursuant to applicative Criterion 5.C.2. of the Code.
✓	Supervise the activities of the Evaluation Board <sup>13</sup>
WITH REGARD TO COMPENSATIONS	
➤	submitting suggestions for approval to the Committee to define the Remuneration Policy of the executive directors, of Directors, General Directors and other Key Management Personnel, and the draft Remuneration report to be presented during the Shareholders' Meeting summoned to approve the financial statements, within the time set by the Law;
➤	regularly assessing the adequacy, overall consistency and actual application of the general policy adopted for the remuneration of the Directors and Key Management Personnel; the latter's conduct is assessed based on the information provided by the CEOs; make the relevant proposals to the Board of Directors (Application Criterion 6.C.5 of the Code)

<sup>13</sup> Task appointed by the Board of Directors on January 24<sup>th</sup>, 2019, in compliance with the specific individuation required by the Recommendation no. 3 of the Corporate Governance Committee (see Section 19).

- presenting proposals or expressing opinions to the Board of Directors with regard to the remuneration of the executive directors and of the other directors who cover specific roles, and to the setting of performance targets connected to the variable component of said remuneration (Application Criterion 6.C.5 of the Code)
- monitoring the application of decisions adopted by the said Board verifying, in particular, that performance targets have actually been reached (Application Criterion 6.C.5 of the Code).
- Report to the first possible Board of Directors – through the Committee Chairman – about the most relevant issues examined by the Committee during the meetings (Application Criterion 4.C.1 letter d) of the Code).

**Activities carried out by the Compensation and Nominating Committee during the Financial Year, as well as after the ending of the Financial Year up to this date**

During the year, the Compensation and Nominating Committee, regarding Nominations pursuant to Article 5 of the Code, carried out a preliminary investigation, formulating proposals on matter of Board Evaluation, periodic evaluation of the independence requirements by the Directors and on matter of limits of cumulation of positions, on matter of the composition of the Board of Directors (also to submit the Shareholders' Orientation, for the Meeting of April 30<sup>th</sup>, 2018), performing also the periodic evaluation of the Succession Plan for the sole Executive Director of the Company.

For further information about the activities of the Compensation and Nominating Committee on matter of compensation, we refer to the Report on Compensation 2019 drawn up pursuant Article 123-ter of TUF and available, in compliance with the applicable law, on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance – Compensation" section and the "Governance – Shareholders' Meeting" section, relating to the next Meeting on April 24<sup>th</sup>, 2019.

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Minutes of its meetings are drawn up regularly.

When carrying out its duties, the Compensation and Nominating Committee had access to internal information and functions and to the necessary company functions to carry out its duties, as well as to use external consultants.

No financial resource with a predetermined amount has been appointed to the Compensation and Nominating Committee, but the Committee had had the necessity to autonomously use external consultants. During the Financial Year, the Compensation and Nominating Committee used, to support its activities, external consultants, after verifying the existence of the independence requirements required by the Code. For further information, please see the afore-mentioned Report on Compensation 2019.

The Board of Directors approved, most recently on June 6<sup>th</sup>, 2018, a Regulation for the functioning of the Compensation and Nominating Committee that also envisages that works must be coordinated by the Chairman, that the Chairperson of the Board of Statutory Auditors takes part to the meeting of the Committee (with the possibility for the Effective Auditors to intervene, in particular regarding meetings during which the Committee discusses items on which the Board of Directors decides with the mandatory opinion of the Statutory Board). Also, the CEO and other Directors, the Manager in charge of drawing-up corporate financial reports and other executive managers and/or external consultants of the Company may intervene.

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## 9. DIRECTORS' REMUNERATION

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The information in this section, in particular those relating to information concerning the general policy for remuneration, and for the directors' remuneration, of the general directors and of other key management personnel is included in the 2019 Remuneration Report published pursuant to Article 123-ter of the TUF and will be made available, within the terms provided for by the Law, on the Internet site [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance - Compensation" section and in the "Governance - Shareholders' meeting" section with regard to the next Shareholders' Meeting to be held on April 24<sup>th</sup>, 2019.

### Incentive mechanism for the Chief Internal Auditor and the Manager in charge of financial reporting

The incentive mechanisms for the Chief Internal Auditor and for the Manager in charge of financial reporting are consistent with the tasks assigned to the same, pursuant to Criterion 6.C.3 of the Code.

### Compensation for directors in the case of their resignation, dismissal, retirement or termination of the relationship following a takeover bid.

With regard to the Issuer's agreements with its directors for their compensation in the case of their resignation, dismissal, retirement, removal from office without just cause or termination of the relationship following a takeover bid, please refer to the Remuneration Report 2019.

During the Year, there were no cases of termination of office or the termination of employment of executive directors or general directors that caused an acknowledgement of a compensation and/or other benefits pursuant to Principle 6.P.5 of the Code.

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## 10. CONTROL AND RISK COMMITTEE

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### Composition and Duties of the Control and Risk Committee

The current Control and Risk Committee<sup>14</sup> is composed of 6 members, as follows<sup>15</sup>:

COMITATO CONTROLLO E RISCHI IN CARICA ALLA DATA ODIERNA		
<b>Mario Giuseppe Cattaneo</b>	Chairman	non-executive Independent Director
<b>Marina Brogi</b>	Member	non-executive Independent Director
<b>Giuseppina Capaldo</b>	Member	non-executive Independent Director
<b>Nicola Greco</b>	Member	non-executive Independent Director
<b>Ferdinando Parente<sup>16</sup></b>	Member	non-executive Independent Director
<b>Franco Passacantando</b>	Member	non-executive Independent Director

Those members are in possession of experience in accounting and financial matters or risk management that was deemed adequate for the Board when they were appointed.

The Control and Risk Committee, whose works are coordinated by the Chairman, meets with the frequency needed to perform its functions and, in any case, always before the Board of Directors' meetings for the examination of periodical financial reports as well as any time the Chairman considers it to be necessary.

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<sup>14</sup> Constituted by the Board of Directors of May 9<sup>th</sup>, 2018, with the appointment of 5 members, and successively integrated by the Board of Directors of September 26<sup>th</sup>, 2018, with the appointment of one more member.

<sup>15</sup> During the Financial Year 2018, before the renewal of the Board of Directors by the Meeting of the Shareholders of April 30<sup>th</sup>, 2018, the Control and Risk Committee was composed of Nario Giuseppe Cattaneo (Chairman), Marco Bolgiani, Giuseppina Capaldo, Pietro Guindani e Franco Passacantando.

<sup>16</sup> Appointed as additional member of the Control and Risk Committee by the Board of Director on September 26<sup>th</sup>, 2018 (please see the press release of that date on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Media – Press release" section).

The Committee meets also when there is a justified request by at least two members of the Committee or the Statutory Board Chairman<sup>17</sup>, to the Chairman of the Committee.

During the Financial Year 2018 there have been 13 meetings of the Control and Risk Committee with an average duration of 2 hours and 30 minutes.

Further information concerning the percentage of participation of each component of the Control and Risk Committee at the meetings held during the Financial Year, are shown in the Table 1, attached to this Report.

During the current Financial Year, up to the date of this Report, the Control and Risk Committee met 4 times.

The Board of Directors approved, most recently on October 24<sup>th</sup>, 2018, the Regulation for the functioning of the Control and Risk Committee, envisaging, in particular, that: (i) the Committee met with the frequency needed to carry out its duties and, in any case, always before the Board of Directors' meetings for the examination of periodical financial reports as well as any time the Chairman considers it to be necessary, (ii) works are coordinated by the Chairman, (iii) all Control and Risk Committee meetings have always been attended by the Chairperson of the Board of Statutory Auditors or another statutory auditor designated by him (and the other statutory auditors were also free to attend), (iv) To these meetings are normally invited the Manager in Charge of Financial reporting, the Internal Audit & Compliance Director, the Group Risk Officer, (v) to these meetings, upon invitation of the Committee and to make its functions more efficient, also participated the Chairman of the Board of Directors, the CEO (also as Internal Control and Risk Management General Manager Director), directors, consultants, auditor company and any other subject that the Committee itself considered to be suitable based on the matters that are being discussed. During the Financial Year, to the Control and Risk Committee meetings has taken part the member of the Statutory Board. There were also those ones invited to meetings and/or in relation to the items discussed from time to time, the Manager in Charge of Financial reporting, the Internal Audit and Compliance Director, the Group Risk Officer, the Chairman of the Board of Directors, the General Counsel, the Corporate Affairs Director, as well as the responsible for the various business activities, from time to time required to provide for the Committee useful elements to allow a deeper comprehension of the specific issues discussed.

Pursuant to Criterion 4.C.1, lett. d), of the Code, the Chairman of the Control and Risk Committee referred during the first meeting of the Board of Directors, of the activities carried out in each session of said Committee.

#### **Duties of the Control and Risk Committee**

As resolved by the Board of Directors on May 9<sup>th</sup>, the Control and Risk Committee is appointed with the duties provided by the Corporate Governance Code and its own Regulation. In particular, the Control and Risk Committee has the duty to:

- it provides the Board of Directors with opinions on:
  - the guidelines for the internal control and risk management system, so that the main risks affecting Salini Impregilo and its subsidiaries are correctly identified, properly measured, managed and monitored, defining the degree of compatibility of these risks with company management and its strategic objectives;
  - assessment, at least once a year, of the adequacy of the internal control and risk management system considering the company's characteristics and risk profile and their efficiency;
  - approval at least once a year of the audit plan prepared by the Chief Internal Auditor;
  - examination of the results of the main audit reports and their implementation;
  - description, in the Corporate Governance Report, of the main characteristics of the Internal Control and Risk Management System, as well as the procedures for coordinating the parties involved, expressing its assessment of their adequacy
  - assessment of the findings presented by Legal Auditor in its management letter (if prepared) and of the main issues of the audit report;
  - appointment and removal from office of the Chief Internal Auditor

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<sup>17</sup> The Regulations of the Committee provide that, in the Committee is composed of 3 members, it can meet upon the request of only one member.

<ul style="list-style-type: none"> <li>– assessment of the suitability of the resources of the Internal Audit unit for carrying out their duties</li> <li>– definition of the remuneration of the Chief Internal Auditor, in line with internal policies;</li> </ul>
➤ assessment with the Manager in charge of financial reporting, and after consulting the auditor engaged to carry out the legally-required audit and the Board of Statutory Auditors, of the correct application of the accounting policies and their consistency for preparing the consolidated financial statements;
➤ expression of opinions on specific aspects related to the identification of key business risks, including economic, asset-related and operational risks;
➤ review of the periodic reports on the Internal Control and Risk Management system, especially those prepared by the Internal Audit function;
➤ monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
➤ ask the Internal Audit function to carry out checks of specific operating areas and it reports thereon to the Chairperson of the Board of Statutory Auditors
➤ reporting to the Board of Directors at least twice a year, during the meetings held to approve the annual and half-yearly reports, on its activities and the adequacy of the Internal Control and Risk Management System;
➤ supporting, with adequate investigations, the assessments and decisions of the Board of Directors with regard to risk management arising from adverse facts which the Board of Directors has become aware of;
➤ performance of the other duties assigned to it by the Board.

**Activities carried out by the Control and Risk Committee during the Financial Year, as well as after the end of the Year up to this date**

During the Financial Year, the Control and Risk Committee reviewed and assessed the work plan and reports prepared by the Chief Internal Auditor, the Group Risk Officer and the Chief Compliance Officer, and the reports drawn up by the Integrity Board as per Legislative Decree no. 231/2001, monitoring the development and requiring – if necessary – specific interventions; it has received, from monitoring, the evaluation of Internal Control and Risk Management system; evaluated, together with the Manager in Charge of Financial reporting and the representative of the auditing company, the right use of the accounting principles and their homogeneity in order to draw up a consolidated financial statement, reporting about it to the Board. It has supported, with an appropriate investigation activity, the evaluations and the decisions of the Board relating to the approval of periodical financial reports and most significant operations.

The Committee has also reported to the Board, during the approval of the draft of the financial statement and the interim financial report, about the activity carried out, about the suitability of the organization, administration and accounting situation of the Issuer and its strategic subsidiaries, in particular relating to the suitability and effectiveness of the Internal Control and Risk management System in relation to the characteristics of the companies and the risk profile undertaken.

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Minutes of the Control and Risk Committee are drawn up regularly.

The Control and Risk Committee, in carrying out its functions, had the chance to access the information and the company functions needed to execute their tasks.

No financial resource with a predetermined amount has been appointed to the Committee. On May 9<sup>th</sup>, 2018, the Board of Directors resolved to give the Internal Control Committee financial resources required to carry out its duties, in the amount requested by the Committee's Chairperson and within the budget limits approved by the Board itself.

During the Year, said Committee did not need to external use consultants to carry out its tasks. For this reason, the Committee did not use any financial resources as it used the means and structures of the Issuer to carry out its tasks.

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## 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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The Guidelines for internal controls were defined by the Board of Directors on March 21<sup>st</sup>, 2000, and subsequently updated and approved on March 25<sup>th</sup>, 2009, November 12<sup>th</sup>, 2014, March 16<sup>th</sup>, 2016 and February 23<sup>rd</sup>, 2017.

As required by the Code, the company's Internal Control and Risk management system consists of a set of rules, procedures and organizational structures put in place to ensure, through a suitable process of identification, measurement, management and monitoring of the main risks, that business operations are aligned with the objectives defined by the Board of Directors, which is able to identify measure, manage and monitor the main risks. The objective is to ensure the safeguarding of the company's assets, an efficient and effective operating system, reliable information (not just financial) provided to the governance bodies and to the market, and compliance with the law and regulations as well as the Bylaws and internal procedures (in conformity with the Principle 7.P.2. of the Code).

The internal control and risk management system is based on standards that require business activities to be based on applicable internal and external rules, that they can be traced and documented, that the allocation and exercise of powers as part of a decision- making process be matched to the positions of responsibility and/or with the size and/or significance of the underlying transactions, that those parties that take or implement decisions, which record transactions and those that are required to perform the controls over such transactions provided for by law and procedures envisaged by the internal control and risk management system be different parties and that confidentiality and compliance with the *privacy* legislation be ensured.

The parties mainly involved in the Internal Control and Risk management system are the Board of Directors, the CEO (as the Director in charge of the Internal Control and Risk Management System), the Control and Risk committee, the Manager in charge of financial reporting, the Board of Statutory Auditors, the Independent Auditors and the Internal Audit and Compliance unit (appointed with the Internal Audit and Compliance functions), each by carrying out their duties and roles. The Integrity Board appointed pursuant to Article 6 of Legislative Decree 231/01 supports the Board of Directors within the scope of its competence.

Other subjects involved in the Internal Control and Risk Management System are the Risk Management function (whose activities will be dealt with in the successive paragraph) the General Management departments and the Management.

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The sources and principles comprising the Company's Internal Control and Risk Management System are represented by: the Corporate Governance Code (July 2018 edition); Salini Impregilo's Code of Ethics (containing the standards of conduct, ethical and basic values that the Group adopts to pursue its objectives); the Organization, Management and Control Model pursuant to Legislative Decree no. 231/01, the Model of administrative, accounting and operational procedures for preparing the Group's financial statements pursuant to Law 262/05, 262/05, the Anti-Corruption Model, the Business Plan, additional internal regulations, i.e. the set of corporate documents defining roles and responsibilities within the organization, including the assignment of responsibilities for managing company risks, including, by way of example, but not limited to, Organization Charts, Organizational Communications and Memos, the Guidelines pursuant to Law 262/05, Framework, Interfunctional and Operational Procedures; the power and proxy system, structured to award authorization and signatory powers consistent with the organizational and management responsibilities assigned; best practices.

Monitoring of the functioning of the Internal Control and Risk Management System is assigned to the Internal Audit Function. The Board of Directors approves, at least once every year, the audit plan prepared by the Chief Internal Auditor, subject to the opinion of the Control and Risk Committee and having consulted the Director in charge of Internal Control and Risk Management System and the Board of Statutory Auditors.



Upon approval of the 2018 financial statement project, the Control and Risk Committee, expressed its favourable opinion to the Board of Directors following its review of the reports drawn up by the Chief Internal Auditor, by the Director for the Compliance Functions, by the Supervisory Body and by the Manager in charge of financial reporting, and upon the interviews held with them and with the Audit Company, on the adequacy and organisational and financial structure and on the Internal Control and Risks Management System of Salini Impregilo and of its subsidiaries with strategic relevance, to the light of the main company's risks.

This assessment was shared by the Board of Statutory Auditors and adopted by the Board of Directors.

## ***I Description of the main characteristics of the risk management system***

After approving the business and strategic plan, setting out the Management Team's Strategic Objectives, the Board of Directors starts a procedure to define the nature and level of risk compatible with these objectives. The assessments will include all risks that could be significant in terms of sustainability in the medium-long term, pursuant to Criterion 1.C.1, letter b), of the Code. This process, described in the following paragraphs, was assisted by the Control and Risk Committee.

### ***1.1 Risk Management***

From 2015, the Issuer has launched a project for the development and implementation of a *Risk Management* model, to address and manage risks in accordance with the industry's *best practices*, and will be gradually extended to all operating companies of the Group. The model is evolving in terms of approach, methodology and instruments, as well as to its extension to all Group operational units.

In line with the project, a *Risk Management* structure with "second level" control relevant functions has been set up, independent from the other Business and Corporate functions.

The *Risk Management* structure, in particular, deals with the following activities:

- identification and monitoring, in consultation with the Management (*Risk Owners*) and in support of the Director in charge of the Internal Control and Risk Management System, of the risk factors of significance for the Group, ensuring the implementation of risk mapping and assessment and monitoring of mitigation actions taken by *Risk Owners*.
- support in strategic and commercial planning, proposing the corresponding guidelines as well as the company's risk inclination to the competent bodies;
- support in operations, with to the aim of achieving the strategic goals defined in the Business Plan
- assurance as to the adequacy and consistency of the Risk Management framework adopted through the development and the appropriate updating of the risk model and methodologies and tools for effective risk management;
- support in the creation and dissemination of a risk culture throughout the Group.

The Group aimed to equip itself with a system capable of periodically detecting and managing the main risks to which it could be exposed, through a detailed analysis (for each Country, counterpart and project), both with regard to portfolio, to assess the risk profile in relation to the risk limits that have been defined at an overall level.

The activity focuses on the identification and risk categorization with a potential impact on business and on the development of methods and tools aimed at managing the dimensions of the identified risk; with particular emphasis on risks connected with the counterparts and the country context within which the Issuer develops its own business have been also developed

### ***1.2 Risk Assessment***

The Issuer, within the Risk Management periodic process also conducted, during 2018, a Risk Management activity aimed at recognising and assessing risks that could impact the Group's operation attainment of Business Plan targets.

The Risk Management Function assessed both the level of exposure to a potentially negative event, in terms of impact and risk probability, and the adequacy of the Internal Control System based on the effectiveness of existing controls.

The Risk Management activity was carried out according to these phases:



*a. Definition of the method and approach*

The method defined for the Group's Risk Management system envisages that mapping and analysing potential risk events, consistently with the adopted Risk Universe, are Group processes. In line with the sector's best practices, Assessment scales were defined which are consistent with the Strategic Plan's targets in order to provide an indication regarding the potential impact and probability of each identified event.

*b. Identification of Risks*

Risk identification occurred through meetings that have been conducted with approximately each entity responsible for each function. In particular, the critical elements encountered within the processes, even by means of a comparison with currently adopted policies and procedures expressing clearly causes and potential consequences.

*c. Risk analysis*

Risks were assessed consistently with the methods identified and in agreement with the people of reference of each Function, even considering the level of protection guaranteed by the existing Control System.

*d. Risk prioritization*

The risks identified and analyzed have been ranked in priority order and shared with the Board of Directors and with the Control and Risk Committee, with the Top Management and with the Control Functions, in order to address the subsequent management and mitigation activities. Group Risk Assessment results, in terms of risk events, main generating causes and possible mitigating actions, are addressed (i) to the Board of Directors, to the Control and Risk Committee and to the Top Management, in order to give priority to Top Risks and address the interventions and, (ii) to the Control Functions, in order to support and structure the related Intervention Plans.

*e. Treatment and monitoring of Risks*

The Risk Treatment phase is aimed at managing identified risks, identifying the best mitigation strategies or evaluating alternative management strategies, consistently with their priority level. This phase identifies the actions required for reducing the Group's exposure to risks also monitoring its gradual implementation.

Within the Group's organization and the provisions of the Internal Control and Risk Management System there are various company Bodies and functions dedicated to the verification of the system's effective functioning.

In particular, the Group Risk Officer, according to the global vision of the corporate risk profiles, supports the Risk Owners in preparing the most appropriate risk management strategy and in proposing eventual further risk management actions to implement in order to carry it out. Moreover, the Group Risk Officer coordinates monitoring activities and the Group's overall exposure.

***1.3 Main characteristics of the Risk Management System concerning the financial reporting process, pursuant to Article 123-bis, paragraph 2, letter b), of the TUF***

The Internal Control and Risk Management System applied to the financial reporting process aims at guaranteeing reliability, precision, reliability and promptness of said financial reporting. Planning, implementation, monitoring and the updating in time of the system, have been carried out by Salini Impregilo according to the Guidelines which take their inspiration from frameworks and international best practices and are dedicated at managing financial reporting.

Said Guidelines have been specifically declined to conform to the Issuer's characteristics and their operating units that contribute to the creation of financial reporting, both separated (the Parent's) and consolidated. Account was taken of the fact that the Group is composed of entities that are separate in legal terms from the parent for the purposes of the financial reporting referred to herein. The Group in fact consists of both legally separate entities (e.g. Italian and foreign stock companies) as well as entities that, although not legally separate from the parent under Italian law (e.g. foreign branches), have their own administrative and organizational structures and produce their financial reporting independently.

Within the scope of this classification, the System is based on the dissemination of the application procedures, the training of the personnel involved in the different stages of the process and a monitoring plan, based on the provisions of Law 262/05, whereby the effective use of the application procedures is checked and any developments and integrations necessary due to the wide-ranging operating scope in which the Group works are identified.

The monitoring plan is developed with a risk-based approach comparable to that applied for the definition of the audit plan prepared by the Director of the Internal Audit and Compliance Department as the Chief of the Internal Audit department. The Manager in charge of financial reporting assigns specific mandates to the Internal Audit Function to carry out audits on the financial reporting process.

#### **I.4 Main risks to which the Issuer is exposed**

Risk Assessment, updated and integrated on a periodical basis, has been carried out with the involvement of the company's management and enabled to identify the most sensitive risk factors based on the Group's business activities and on the specific internal and external context in which the Group itself operates:

##### **Business related risks**

External risks that could compromise the attainment of the company's targets, or all those events that cannot be directed by company decisions. Risks deriving from a country's macro-economic and social-political dynamics, from sector trends and from the competitive scenario, as well as technological innovation and regulations that characterize the industry.

Due to these risks, the Group must rely on its forecasting and managing capacities. The Issuer, integrated risk management within its planning and business processes, by defining commercial and risk guidelines and the structuring of a process aimed at prioritizing and selecting initiatives to pursue, especially on the basis of risks connected to the country and/or sector in which one is going to work in, instead of the counterpart. Risk monitoring activities is also guaranteed by monitoring the advancement of strategic targets, even in terms of order backlog composition and diversification and its progressive developments in terms of risk profile

##### **Strategic Risks**

Risks deriving from strategic, business and organizational decisions that can jeopardize Group performance and that could lead to not reaching strategic targets. Among these, there are those risks that derive from choosing a certain type of business or organizational model through which the Group intends to operate, those deriving from M&A operations, from a non-effective backlog management or concerning the main counterparts (clients, partners, suppliers, sub-contractors, etc).

The Issuer considers risk to be an essential element for the preliminary assessment of decisions and strategic choices that must be carried out. It has therefore decided to integrate the strategic development and definition process with the risk identification, measurement and management process. Choices concerning the adoption of a business or organizational model, the assessment of whether to continue with an extraordinary operation or whether a certain partner is the right choice, are things to be analysed and assessed beforehand, in order to assess the risk/opportunity ratio, while meanwhile identifying risk strategies and management procedures to adopt should said risk become reality.

##### **Financial risks**

Risks connected to the Group's equity availability, influenced by credit and cash management and/or by market variable volatility, like interest and exchange rates fall into this category.

In particular, cash management pursues the objective of financial independence of the projects that are being carried out, keeping the configuration of consortia and special- purpose companies in mind, which can restrict the availability of financial resources to the realization of certain projects. Moreover, when managing cash, one must consider the existence of restrictions concerning monetary transfers set by the rules and regulations of certain countries.

The Issuer also considers specific risk areas like the credit merit of the counterpart and price volatility of raw goods and management of the insurance aspects also considers essential to equip oneself with effective financial planning tools.

### **Legal and compliance risks**

Risks connected to legal matters or that derive from compliance with regulations (e.g.. fiscal, local regulatory matters, etc.) that is required to work in the sector and/or in particular countries and risks related to the contractual management with Business Partners. For Salini Impregilo, monitoring of contractual matters linked to project management activities and to significant counterparts is fundamental. In this category there are also risks connected to fraud, both internal and external ones, and more generally, compliance with procedures defined by the company to regulate its governance system.

For this purpose, the Issuer adopts monitoring and management activities related to regulatory risks, in order to mitigate their effects as much as possible, through a multi- level monitoring activity that envisages continuous collaboration and communication with significant counterparts and business units involved, interested with regulatory updates and to assess their potential impact.

### **Operating risks**

Risks that could jeopardize value creation and that are due to an inefficient and/or ineffective management of the characteristic company operativeness, particularly connected to bid management and to executing the projects. Among the various risk activities that fall under this category there are: bid design and planning, the effective management of the supply chain, warehouse logistics and management, risks connected to managing information systems, and personnel and reporting related risks.

These risks occur when, during, bidding process and/or during project implementation, company policies or procedures are not adequate for managing risk factors arising from the project's level of complexity or following imponderable events.

To that end, the Group wishes to monitor these risks from when analysing the commercial initiative to pursue (bidding) is assessed, with regard to evaluating the project's risk and performance should the tender be won, and the impact of this bid on the order backlog, both in terms of concentration and overall risk profile. The Issuer, among the other assessments, proceeds to drawing-up a pre-bid risk assessment aimed at identifying potential risks and consequent impacts connected to the project, and will also mitigate the necessary mitigating and/or contingency activities for coverage purposes. The risk assessment is then carried out once again when the tender is won and then monitored while the project is executed, in order to promptly detect any risk exposure and adopt the appropriate mitigating actions.

#### **11.1. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Board of Directors elected by the Shareholders' Meeting on April 30<sup>th</sup>, 2018, confirmed on May 9<sup>th</sup>, 2018, the CEO as the "Director in charge of the Internal Control and Risk Management System" with all the powers and duties envisaged in Article 7 of the Code.

The Director in charge of the Internal Control and Risk Management System, within the scope of his role of supervision of the functionality of said System, has the following tasks, in accordance with what has been envisaged by Criterion 7.C.4 of the Corporate Governance Code:

- to implement the Guidelines established by the Board of Directors, ensuring the design, implementation and management of the Internal Control and Risk Management System, constantly verifying its adequacy and effectiveness, also ensuring alignment of such System with the dynamics of the operating conditions and legislative and regulatory framework;
- to ensure the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, periodically submitting them to the examination of the Board of Directors;
- to promptly report to the Control and Risk Committee (or to the Board of Directors) on issues and problems emerging in the course of his activities or which have otherwise come to his attention, in order that the Committee (or the Board) may take appropriate action;

- to request the Internal Audit Unit to perform checks of specific operating areas and the compliance with internal rules and procedures during business activities (when necessary); he informs the Chairperson of the Board of Directors, the Chairperson of the Control and Risk Committee and the Chairperson of the Board of Statutory Auditors thereon;

In addition to and in greater detail with regard to the above, the Director in charge of the Internal Control and Risk Management System, in accordance with the Guidelines of the Internal Control and Risk Management System approved by the Company:

- is responsible for implementing the Guidelines of the Internal Control and Risk Management System, ensuring that the same is an integral part of the Group's operations and culture, activating to this end suitable information, communication and training processes and promoting the adoption of remuneration and disciplinary systems that incentivize proper risk management and discourage behaviour contrary to the principles dictated by such processes;
- ensures that the Internal Control and Risk Management System is capable of rapidly responding to significant risks arising both within the Group, as well as from changes to the environment in which the Group operates.

## **11.2. CHIEF INTERNAL AUDITOR**

The role of the Chief Internal Auditor of Salini Impregilo was, on May 14<sup>th</sup>, 2014, conferred by the Board of Directors to Francesco Albieri with a Board resolution of the same date. Subsequently, on November 12<sup>th</sup>, 2016, Francesco Albieri was given the role of Director of the Internal Audit & Compliance department, following the organizational change that made the Internal Audit and Compliance functions merge into one Department.

The Director of the Internal Audit & Compliance department is in charge of the structure that has been appointed a "third-level" control activity. By this, we mean the independent assessment of the overall structure and functioning of the Internal Control and Risk Management System, even by means of monitoring of line controls.

As the Chief of the Internal Audit & Compliance function, the Director of the Internal Audit & Compliance department is appointed through a formal mandate, to carry out the activities falling within his area of responsibility, pursuant to the Corporate Governance Code, both on a continuous basis and according to specific needs and in full compliance with international standards relating to the role.

The Board of Directors also resolved on the remuneration of the above-mentioned role to carry out his function, consistently with company policies.

Said appointment and relevant remuneration is resolved upon proposal of the Director in Charge of the Internal Control and Risk Management System, having received the approval of the Control and Risk Committee and having heard the Board of Statutory Auditors.

The Director of the Internal Audit Function, according to what is provided for by the Corporate Governance Code:

- a) verifies, both on an ongoing basis, and in relation to specific needs and in compliance with international standards, the functioning and suitability of the Internal Control and Risk Management System, through an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritization of the key risks;
- b) reports directly to the Board of Directors and is not in charge of any business areas;
- c) has direct access to all the functions and information useful to carry out his duties;
- d) has adequate means to perform the assigned function;
- e) prepares periodic reports containing adequate information concerning his activities, the way in which risk management is performed, as well as compliance with the plans defined for its containment. The periodic reports contain an assessment of the adequacy of the Internal Control and Risk Management System;
- f) promptly prepares additional reports and notes on issues and events of particular importance;
- g) in parallel transmits the reports referred to in points e) and f) to the Chairman of the Board of Directors, of the Control and Risk Committee, of the Board of Statutory Auditors and to the Director in charge of the Internal Control and Risk Management System;
- h) verifies, within the scope as of the audit plan, the reliability of information systems, including accounting systems

The structure of the Internal Audit Unit is composed of persons with different levels of experience necessary to carry out their duties. Under the budget assigned and approved by the Board of Directors, the above unit engages external consultants when necessary to fulfil specific requirements of the audit plan.

In performing the activities under his responsibility, the Chief Internal Auditor had direct access to all the functions and information useful to carry out his duties, he prepared regular reports providing suitable information about his activities and the methods used to manage risk and compliance with risk containment plans. He also assessed the suitability of the internal controls and risk management system. The Chief Internal Auditor provided timely additional reports and notes on issues and events of particular significance, and delivered them, as part of his remit, to the Chairman of the Board of Directors, of the Control and Risk Committee, as well as to the Director in charge of the Internal Control and Risk Management System and to the other parties involved.

The Internal Audit unit carries out a check of the reliability of the information systems each year, including the accounting systems. It also carried out an intervention that is dedicated to the processes related to the Corporate Information technology department, using internationally accepted control-based frameworks.

The Internal Audit & Compliance Director is financially independent with his own budget approved each year by the Board of Directors after consulting the Control & Risk Committee.

Moreover, the Internal Audit & Compliance Director worked together with the other control bodies, as explained in Section 11.6 below.

### **11.3. ORGANIZATION MODEL pursuant to Legislative Decree 231/2001**

Since January 29<sup>th</sup>, 2003, the Company adopted the "Organization, Management and Control Model" required by Article 6 of Legislative Decree no. 231/01, based on the Confindustria guidelines, approved on March 7<sup>th</sup>, 2002.

The Model, in the following years, has been constantly updated due to the changes concerning the crimes to be included, but also to the company's organization that changed in the meantime, to changes concerning the "Areas of activities with risks" and in compliance with how best practices evolved as promoted by Confindustria and by Associazione Nazionale Costruttori Edili (ANCE).

The "Organization, Management and Control Model", whose current version was approved by the Board of Directors of Salini Impregilo on November 14<sup>th</sup>, 2018, is available, as regards the General part, on the company's site [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance - Internal Control and Risk Management - Compliance System Model 231".

Said update has been deemed as necessary in order to comply with the provisions of the applicable law on the Whistleblowing matter, as introduced by the Law no. 179 of November 30<sup>th</sup>, 2017 ("Provisions for the protection of employees reporting irregular behaviours or legal and regulatory violations experienced or seen within a private or public employment"), and other new legislative provisions introduced after the updating of the Model (September 2017).

In order to comply with the specific provisions of Legislative Decree no. 231/01 and considering the analysis of the company's situation and activities potentially at risk, the offences committed when dealing with the public administration, forgery of coins, public credit notes and duty stamps, corporate crimes, terrorist acts or subversion of democratic order, crimes against the individual, market abuse and international crimes, handling of stolen goods, money laundering and its use, assets or other illegally gained goods, crimes against safety in the workplace, cybercrimes and the unlawful processing of data, organized crime, induction to not make statements or to make false statements to judicial authorities, counterfeiting, crimes against industry and trade, copyright crimes, environmental crimes, employment of illegally staying third-country nationals, offenses relating to undue incitement to give or promise anything of value and corruption between individuals (as reformulated by Legislative Decree. 38/2017 with the introduction of the instigation to corruption, self-laundering, false accounting and crimes of illegal intermediation and exploitation of labour ("illegal hiring").

On September 12<sup>th</sup>, 2006, the Board of Directors set the number of members of the Integrity Board as per Article 6 of Legislative Decree no. 231/2001 to three, in line with what is required by the new Organization, Management and Control Model (previously, the Board had been monocratic, Internal Control

Supervisor). Currently, the composition of the Integrity Board envisages a member internal to the Company, identified in the person of the Chief Internal Auditor, and two professionals from outside the Company, one of which also holds the position of Independent Director. The Board provided for the corresponding appointments, most recently on July 25<sup>th</sup>, 2018, for three years and therefore until approval by the Board of Directors of the half-yearly financial report at June 30<sup>th</sup>, 2021. In accordance with the Model, the Chairman of the Integrity Board is identified in the member external to the Company who is not a Director. The Integrity Board's members have specific expertise in inspections, analyses of control systems and legal issues (in particular, criminal proceedings) so that they can properly carry out their duties. The Board of Directors decided not to give the Board of Statutory Auditors the functions of the Integrity Board.

CURRENT INTEGRITY BOARD UP TO THIS DATE		
<b>Ugo Lecis</b>	Chairman	External expert
<b>Giacomo Marazzi</b>	Member	External expert non-executive Independent Director
<b>Francesco Albieri</b>	Member	Chief Internal Auditor

The strategically significant subsidiary Impregilo International Infrastructures N.V. is a company under Dutch law and therefore it is not subject to the provisions of Italian Legislative Decree 231/2001

The Salini Impregilo Group Code of Ethics, the current version of which has been approved by the Salini Impregilo Board on April 12<sup>th</sup>, 2017, forms part of the Model (available on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance – Governance system") section.

#### 11.4. ANTI-CORRUPTION MODEL

In conformity with what defined by the Code of Ethics in accordance with the tenth principle of the Global Compact on the basis of which *"companies undertake to fight all forms of corruption, included extortion and bribery"*, the Salini Impregilo corruption fight occurs in the Anti-Corruption Compliance System.

To this end, on June 16<sup>th</sup>, 2014, the Company implemented the Anti-Corruption Compliance System, which summarizes the commitment to the principles introduced by the anti- corruption laws and by international Best Practices.

The System has been most recently updated and approved by the Board of Directors of Salini Impregilo on September 26<sup>th</sup>, 2018.

It provides a systematic reference framework of the regulatory instruments and policies on anti-corruption, which Salini Impregilo intends to pursue in order to prevent active and passive corruption, in particular, for offers or requests for money, advantages and/or other benefits, or payments, made or received, by anyone acting in the name or on behalf of the Company in relation to business activities, ensuring compliance with anticorruption legislation. The System thus intends to act as a guide in dealing with any risks of corruption that may arise during the course of business activities.

The System has undergone the analysis of an external certifying body and on July 21, 2017, Salini Impregilo obtained the UNI ISO 37001:2016 certification "Antibribery Management System", that complies with international standards for the prevention of the corruption and business transparent management.

The Anti-Corruption Compliance System is based on the Anti-Corruption System and the Guidelines defining roles and liabilities of subjects involved in the management of procedures at risk for corruption and relative control systems. In order to ensure assistance and consultation on matter of Anti-Corruption, Salini Impregilo has established, within its Compliance Unit, an Anti-Corruption Legal Support, appointed with giving specific information and explaining issues concerning the System and Anti-Corruption laws of Italy or of the Country where the Group operates.

The Company has also adopted a specific Whistleblowing Platform allowing the employees, co-operators, consultants, providers and any other third party involved with Salini Impregilo to submit, even in an anonymous way, reports about possible or known violations of applicable laws or regulations, of the Code of Conduct, of the Anti-Corruption System and/or of the Organization, Management and Control System, pursuant to Legislative Decree 231/01.

The scope of application of the Anti-Corruption Compliance System is referred to Salini Impregilo S.p.A, who promotes its adoption by the companies or entities (consortia, joint ventures, etc.) whom it is part of.

#### **11.5. INDEPENDENT AUDITORS**

Based on the reasoned opinion of the Board of Statutory Auditors, at the end of a selection process curated by itself through the exam of the offers made by some of the main players of the statutory audit field, the Company's shareholders' Meeting dated April 30<sup>th</sup>, 2015, appointed KPMG S.p.A. as the Independent auditors for the period 2015-2023 pursuant to Legislative Decree 39/10. On April 30<sup>th</sup>, 2018, the Meeting has decided the adjustment of the compensation for the Independent Auditor, based on the proposal expressed by the Board of Directors, in compliance with the reasoned recommendation of the Statutory Board, pursuant Article 16, paragraph 2 of the (EU) Regulation no. 537/2014<sup>18</sup>.

Salini Impregilo and its main subsidiaries have engaged independent auditors to perform the statutory audit of their financial statements and to check that their accounting records are kept correctly as required by the TUF and the Legislative Decree no. 39 of January 27<sup>th</sup>, 2010., in the version in force as at the date, as well as the interim financial reports.

The appointed Audit Company has the financial control over Salini Impregilo, in accordance with the applicable legislation.

As part of the general audit plan for the Group, in addition to the accounting auditory tasks required by the law, the subsidiaries, that do not exceed the thresholds set by Consob, have nonetheless engaged the independent auditors on a voluntary basis.

General principles for complying with the requirements provided by European Law on matter of Independent Auditing (EU Regulation no. 537/2014), also by adopting an internal procedure, have been identified.

The new rules amend in particular the existing relationships between the Independent Auditor and the Statutory Board of the institution of public interest, in terms of time limits and liabilities concerning the authorization procedures for Audit and Non-Audit services. In particular, they focus on the Non-Audit Services, each of whom, except for tasks forbidden by the applicable law or services which may compromise the independence of the Auditor, maybe appointed to the Independent Auditor only after the authorization of the Statutory Board.

A monitoring system for Non-Audit tasks appointed to the Independent Auditor and its Network has been adopted, in order to safeguard all the above, as provided by the EU Regulation no. 537/2014.

#### **11.6. MANAGER IN CHARGE OF FINANCIAL REPORTING AND OTHER ROLES AND FUNCTIONS**

Article 26 of the Bylaws requires that the Board appoints, and removes from office, after consulting the Board of Statutory Auditors, a Manager to be in charge of financial reporting, setting his term of office and fee. The candidates chosen must have at least three years' experience in: (a) administration and finance or administration and control or management duties with responsibility for financial, accounting and control matters, with companies that have a share capital of at least €2 million or (b) legal, economic or financial aspects closely related to the company's activities; or (c) management at a state body or public administration office active in the credit, financial or insurance sectors or in sectors closely related to that of the company<sup>19</sup>.

The position of Manager in charge of financial reporting pursuant to Article 154-bis of TUF is currently held, with an open term, by the General Manager Corporate & Finance Group CFO Massimo Ferrari, who was granted all the powers and authority required to effectively carry out his functions and duties, within the budget limits approved from time to time and the last time by the Board of directors held on March 15<sup>th</sup>, 2019.

The Board of Directors granted powers to Massimo Ferrari, and specifically:

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<sup>18</sup> For further information, please refer to the Management Report on the items in agenda for the Shareholders meeting of 30<sup>th</sup> April 2018, published on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), section "Governance – Shareholders Meeting", as part of the documents relevant for said meeting.

<sup>19</sup> Topics and sectors closely related to the company's activities are those set out in the last paragraph of Article 29, last comma, of the By-laws (which states: "As required by Article 1.2.b) and c) and paragraph 3 of Ministerial Decree no. 162 of March 30<sup>th</sup>, 2000, the fields (legal, economic, financial and technical-scientific) and the sectors serving areas of engineering, geology, construction of public and private works, building, and construction in general are considered strictly relevant to the scope of activities of the Company

- direct access to all information required to produce accounting data;
- unlimited use of internal communication channels that ensure a correct intra-group exchange of information;
- a free hand in organizing his unit in terms of both human and technical resources (materials, IT and any other resources);
- to independently define and adopt administrative and accounting procedures, also by availing of the assistance of other company functions;
- to assess and modify policies, organizational structures and procedures that could relate to administrative and accounting processes;
- to participate in Board and Committee meetings, especially those which discuss issues related to his function and for which he is responsible;
- to engage external consultants, when necessary for specific issues;
- to interact with employees with control duties and exchanging information to ensure the ongoing mapping of risks and processes and proper monitoring of the correct working of administrative and accounting procedures.

On February 25<sup>th</sup>, 2015, the Board approved the Guidelines of the design of administrative, accounting and risk assessment processes pursuant to Law 262/2005, further updated with resolution of January 18<sup>th</sup>, 2017.

The Manager in charge of financial reporting, on an annual basis, shall award a mandate to the Internal Audit Function to carry out tests regarding administrative-accounting procedures.

The Board, lastly on March 15<sup>th</sup>, 2019, expressed its positive opinion about the appropriateness of the powers and means of the appointed Director as well as on the effective respect of the administrative and financial procedures set up by him.

#### **11.7. COOPERATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In order to maximize the efficiency of the internal control and risk management system and reduce duplication of activities, the Guidelines of the Internal Control & Risk Management System envisage a timely information flow among those involved in said system. In particular, it is envisaged that:

- Control and Risk Committee meetings are to be attended by the Board of Statutory Auditors or another Auditor appointed by him (with the possibility for other members of the auditory body to participate), the Manager in charge of financial reporting, the Chief of the Internal Audit and Compliance Department and the Group Risk Officer. The Chairman of the Board of Directors, the Chief of the Internal Audit and Compliance Department and the Group Risk Officer, managers, consultants, the Independent Auditor as well as any other subject whose presence is considered by the Committee to be suitable for the specific items to be discussed.
- the Chief Internal Auditor periodically reports on his activities to the Control and Risk Committee, in order that the latter can inform the Board;
- the Chief Internal Auditor promptly transmits and, normally, also to the Risk Owners and others involved in the Internal Control and Risk Management System, the reports prepared at the end of the audit in order to allow the above mentioned persons to promptly take the appropriate risk mitigating actions according to their responsibilities for the risks that have emerged;
- the Chief Compliance Officer, the Chief Internal Auditor and the Group Risk Officer liaise with each other in carrying out the audits, also through the mutual sharing of work plans and information, taking into account any synergies.



## 12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors approved a specific procedure concerning Related Party Transactions modified most recently on June 6<sup>th</sup>, 2018, upon the proposal and with the favourable opinion of the Committee for Related-Party Transactions, pursuant to Article 2391-bis of the Italian Civil Code. and of Article 4, paragraphs 1 and 3, of the Consob Regulation on Related Parties as well as the compliance evaluation with the principles of the said Regulation, expressed by the Statutory Auditors Board pursuant to Article 4, paragraph 6 of the same Regulation.

The Procedure (available on the Internet site [www.salini-impregilo.com](http://www.salini-impregilo.com), under the "Corporate Governance - Related party transactions" section) sets out the rules, methods and criteria aimed at ensuring the transparency and substantial and procedural correctness of Related Party Transactions carried out by the Issuer either directly or via its subsidiaries.

To carry out the functions envisaged by the Consob Related Parties Regulation, the Board of Directors, most recently on May 9<sup>th</sup>, 2018 has set up a committee for Related - Party Transactions, composed of 4 members, as follows<sup>20</sup>.

\* \* \* \* \*

CURRENT COMMITTEE FOR RELATED – PARTY TRANSACTIONS		
<b>Ferdinando Parente</b>	Chairman	non-executive Independent Director
<b>Giacomo Marazzi</b>	Member	non-executive Independent Director
<b>Giuseppina Capaldo</b>	Member	non-executive Independent Director
<b>Geert Linnebank</b>	Member	non-executive Independent Director

\* \* \* \* \*

The Board meeting of March 12<sup>th</sup>, 2007, resolved that subject to the provisions of Article 391 of the Italian Civil Code, directors with interests, either directly or on behalf of third parties, in a corporate transaction to be approved by the Board of Directors or Executive Committee, if any, may participate in the related discussions and vote thereon as such participation represents a reason for taking a responsible decision about a transaction about which the director may have greater knowledge than the other directors; the Board of Directors or Executive Committee, if any, may still ask that these directors leave the meeting during the discussion on a case-by-case basis.

## 13. APPOINTMENT OF THE STATUTORY AUDITORS

Article 29 of Salini Impregilo's Bylaws requires that "the shareholders elect a Board of Statutory Auditors, consisting of three standing and two alternate statutory auditors.

The Statutory Auditors must meet the requirements prescribed by law, the Bylaws and other applicable statutes.

Appointment of the Board of Statutory Auditors takes place using lists submitted by the shareholders using the methods and within the time-frame set out below in accordance with the applicable legislation on gender equality. Candidates shall be listed in numerical sequence in each list. Lists have two sections: one for the candidate for the office of statutory auditor and one for the candidate for the office of alternate statutory auditor. They shall include at least one candidate for each position and may comprise up to a maximum of three candidates for the office of statutory auditor and up to two for the office of alternate auditor.

Lists submitted by the shareholders are filed at the company's registered office to be available for public consultation as indicated in the notice calling the shareholders' meeting. They shall be filed at least twenty-five days before the date of first call of the meeting, unless other mandatory terms are established by legislative and regulatory provisions.

<sup>20</sup> During the Financial Year 2018, before the renewal of the Board by the Meeting of the Shareholders of April 30<sup>th</sup>, 2019, the Committee for the Operations with the Related Parties was composed of Marco Bolgiani (Chairman), Marina Brogi, Giuseppina Capaldo and Geert Linnebank.

Lists that have a total number of three or more candidates must contain candidates belonging to both genders, so that the gender with fewer representatives has at least one fifth (on the first term of office starting after August 12, 2012) and then one-third (rounded up) of the candidates to the office of Statutory Auditor, and at least one fifth (on the first term of office starting after August 12, 2012) and then one-third (rounded up) of the candidates to the office of Alternate Auditor.

Shareholders, shareholders forming part of significant shareholder agreements as per Article 122 of the TUF, the Parent, subsidiaries and jointly controlled entities as per Article 93 of the TUF may not present, or be involved in presenting, also via trustees or nominees, more than one list. Nor can they vote, also via trustees or nominees, for more than one list. Moreover, each candidate may only be present in one list in order to be eligible. Acceptances or votes breaching such prohibition shall not be assigned to any list.

Only those shareholders that, either individually or together with other shareholders, own shares making up the percentage of share capital required for presentation of lists for candidate directors, may present lists (see section 4.1 of this report).

With each list, and within the time-frame described earlier, shareholders must deposit: (i) information about the shareholders presenting the list; (ii) statements whereby each candidate accepts their candidature and states, under their own responsibility, the non-existence of any ineligibility or incompatibility reasons, and the existence of the requirements for the relevant offices, including compliance with the ceiling for the number of positions that can be held under the current law and regulations; (iii) a CV of each candidate where professional and personal profile of each candidate; and (iv) any other information required by the applicable law or regulations given in the notice calling the shareholders' meeting.

A certificate issued by a legally-authorized intermediary must also be filed, within the time limit established in the rules governing the publication of lists by the Company, showing ownership of the number of shares necessary to submit lists at the date of filing of the list with the Company.

Lists submitted that do not meet the above requirements will be treated as if they had not been submitted.

Candidates who are ineligible or incompatible or who do not meet the requirements established by the applicable laws and regulations or hold more offices than the maximum limits established in the applicable laws and regulations cannot be included in the lists.

Statutory Auditors are elected as follows:

1. two Statutory Auditors and one Alternate Auditor are taken from the list that obtains the highest number of votes in the shareholders' meeting, according to the numerical sequence in which they are listed in the sections of the list;
2. the remaining Statutory Auditors and the remaining Alternate Auditors are taken from the list that receives the second highest number of votes and is submitted and voted by parties who are not connected, directly or indirectly, with the reference shareholders, pursuant to Article 148.2 of Legislative Decree no. 58 of the TUF, according to the numerical sequence in which the candidates are listed in the sections of this list ("Minority list"). If two lists receive the same amount of votes, the elected candidates shall be taken from the list submitted by the shareholders holding the largest ownership stake or, subordinately, from the list submitted by the largest number of shareholders.

If the above method does not ensure the composition of the Board of Statutory Auditors in accordance with the applicable legislation on gender equality, the elected candidates shall be substituted accordingly using the list that obtained the most votes, according to the numerical sequence in which the candidates are listed.

When the list system is not used, shareholders elect statutory auditors by majority vote, subject to the applicable legislation on gender equality.

The candidate listed first on the Minority List shall serve as Chairman of the Board of Statutory Auditors.

Statutory Auditors shall cease to hold office in the cases contemplated in the applicable laws and regulations and whenever they no longer meet the requirements for election prescribed by these Bylaws.

When one of the Statutory Auditors needs to be replaced, the Alternate Auditor from the same list is co-opted. If both the Statutory and Alternate Auditors from the Minority List are no longer in office, the vacancy shall be filled by the candidate listed next on that list or, if not available, by the first candidate on the Minority List that obtained the second largest number of votes.

In all cases, the replacement procedure detailed above must ensure that the composition of the Board of Statutory Auditors complies with the applicable legislation on gender equality.

The Shareholders' Meeting held pursuant to Article 2401, Paragraph 1, of the Italian Civil Code, shall elect or replace Statutory Auditors in compliance with the principle of necessary representation of minorities, and in compliance with the applicable legislation on gender equality.

Outgoing Statutory Auditors may be re-elected.

As required by Article 1.2.b) and c) and paragraph 3 of Ministerial Decree no. 162 of March 30<sup>th</sup>, 2000, the fields (legal, economic, financial and technical-scientific) and the sectors serving areas of engineering, geology, construction of public and private works, building, and construction in general are considered strictly relevant to the scope of activities of the Company.

\* \* \* \* \*

Remuneration of the Statutory Auditors, pursuant to Criterion 8.C.3. of the Code, must be commensurate to the required commitment, to the significance of the role covered and to dimensional and sector related business aspects.

## 14. COMPOSITION AND DUTIES OF THE BOARD OF STATUTORY AUDITORS

The Meeting of Salini Impregilo of April 27<sup>th</sup>, 2017 has appointed the Board of Statutory Auditors, in charge for three Financial Years, and therefore, until the, the date of the Meeting of approval of the Financial Statements for the year ended December 31<sup>st</sup>, 2019, on the basis of the based on the applications submitted through the following two lists.

RENEWAL BOARD OF STATUTORY AUDITORS LISTS (submitted to the Meeting of April 27 <sup>th</sup> , 2017)			
Subject submitting the list	no. shares list submission % of ord. share cap.	Candidates of the list	% vote (of the voting capital)
Salini Costruttori	326,440,689 66.326%	<u>Effective Auditors</u> 1. Alessandro Trotter* 2. Teresa Cristiana Naddeo* 3. Leonardo Quagliata <u>Alternate auditors</u> 1. Piero Nodaro* 2. Giuseppina Pisanti	90.092%
Law Firm Trevisan & Associati <sup>21</sup>	12,345,704 2.508%	<u>Effective Auditors</u> 1. Giacinto Gaetano Sarubbi* <u>Alternate adutors</u> 2. Roberto Cassader*	9.794%

\* Candidate selected in compliance with provisions of the Article 29 of the Bylaws (see Section 13). Pursuant this Article, the candidate for Effective Auditor elected from the minority list, Giacinto Gaetano Sarubbi have taken up its responsibilities of Chairperson of the Board of Statutory.

Further information concerning the composition of the Board of Statutory Auditors at end of Year, can be found in Table 2 attached to this Report. Regarding the professional profiles, please see the Company's website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance – Board of Statutory Auditors" Section.

<sup>21</sup> For the Shareholders: (1) Aletti Gestielle SGR S.p.A. managing the funds: Fondo Gestielle Obiettivo Italia, Fondo Gestielle Cedola Italy, Fondo Gestielle Obiettivo Europa, Fondo Gestielle Obiettivo Cedola Multitarget II, Fondo Gestielle Dual Brand Equity 30, Fondo Volterra Absolute Return, Fondo Gestielle Absolute Return e Fondo Gestielle Obiettivo Internazionale; (2) Arca Fondi SGR S.p.A. managing the fund Arca Azioni Italia; (3) Eurizon Capital SGR S.p.A. managing the funds: Eurizon Azioni PMI Italia, Eurizon Azioni Italia, Eurizon Progetto Italia 70, Eurizon Progetto Italia 40 e Eurizon Progetto Italia 20; (4) Eurizon Capital SA managing the funds: Equity Italy Smart Volatility, Equity Italy, Flexible Beta Total Return e Equity Small Mid Cap Italy; (5) Fideuram Asset Management (Ireland) managing the funds: Fideuram Fund Equity Italy e Fonditalia Equity Italy; (6) Fideuram Investimenti S.p.A. managing the fund Fideuram Italia; (7) Interfund Sicav Interfund Equity Italy; (8) Mediolanum Gestione Fondi SGR S.p.A. managing the funds: Mediolanum Flessibile Italia e Mediolanum Flessibile Sviluppo Italia; (9) Mediolanum International Funds - challenge funds challenge Italian Equity; (10) Generali Investments Luxembourg SA managing the fund GIS European eqty Recov; (11) Pioneer Asset Management SA managing the fund PF - Italian Equity; (12) Pioneer Investment Management SGRpa managing the fund Pioneer Italia Azionario Crescita; (13) Ubi Sicav comparto Italian Equity UbiPramerica Multiasset Italy.

\* \* \* \* \*

The Board of Statutory Auditors is convened as required and meetings are not scheduled for each year

During the Year 2018 there were 20 meetings of the Board of Statutory Auditors with an average duration of about 1 hour and 15 minutes.

Further information concerning the percentage of participation of each component of the Board of Statutory Auditors at the meetings held during the Financial Year, are shown in the Table 2, attached to this Report.

4 meetings have been held to this day, during this Year.

#### **DIVERSITY POLICIES IN THE COMPOSITION OF THE BOARD OF STATUTORY AUDITORS**

With regards for the methods of definition of the aforesaid Policies, the Company adheres to the following methodology:

- verification and internal self-evaluation by the Board of Statutory Auditors as to its composition, considering the aspects relevant to gender, age and educational and professional background diversity;
- sharing the results of said self-evaluation with the Board of Directors;
- evaluation by the Board of Directors of the adoption of possible ad-hoc policies, based on what was submitted by the Board of Statutory Auditors.

#### *Gender diversity*

The composition of the Board of Statutory Auditors complies with the provisions of the law with regard to gender quotas (Law no. 120/2011)<sup>22</sup>, as well as with the Application Criterion 8.C.3. providing that “*At least one third of the effective and alternate auditors belongs to the less represented gender*”.

In line with the provisions of Law no. 120/2011 and of the 2012 Consob Resolution no. 18098, the Company, in fact, introduced in its By-laws, in art. 29, specific provisions aiming at enduring a balanced scope in terms of gender in the composition of the Board of Statutory Auditors.

For the renewal of the said body, the Board of Directors recommend therefore to the Shareholders, in the Directors' Report on the points in agenda, the submission of lists which take into account the provisions and indications on the matter of gender diversity.

In the light of all the above and having taken into account the indications of the Board of Statutory Auditors within its self-evaluation for the Year 2018, no policy on gender diversity has been adopted.

#### *Age diversity*

In relation to age diversity, in view of the indications of the Board of Statutory Auditors within the context of its self-evaluation relevant to the 2018 Financial Year - from which it appears that the Board of Statutory Auditors is adequate in relation to age diversity - no ad-hoc policy has been adopted on the matter.

#### *Educational and professional background diversity*

In view of the indications of the Board of Statutory Auditors within the context of its self-evaluation relevant to the 2018 Financial Year - from which it appears that the Board of Statutory Auditors is adequately composed in relation to the professional competences held by its members, also pursuant to articles 2397 of the Italian Civil Code and 148 of the TUF - no ad-hoc policy has been adopted on the matter.

\* \* \* \* \*

On April 27<sup>th</sup>, 2017, after the appointment of the Board of Statutory Auditor by the Meeting of that day, the Board of Statutory Auditors confirmed to meet the independence requirements set out by the Article 148 of the TUF and the Application Criterion 8.C.1. of the Code for each Auditor, communicating it to the Board of Directors which, based on the statements submitted by the new Auditors and the information held by the Company, has ascertained that each Statutory Auditor still had these requisites.

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<sup>22</sup> The forecasts of said standard with regard to gender equilibrium, have been implemented on April 30<sup>th</sup>, 2014, and April 27<sup>th</sup>, 2017, in occasion of the shareholders meetings of Salini Impregilo who resolved respectively for the first and the second renewal of the Statutory Audit Board from the date of entry into force of the Law 120/2011.

The Board of Directors has communicated the outcome of those evaluations by a press release to the public, always on April 27<sup>th</sup>, 2017, published on the Company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Media-Press Releases" section.

After their appointment, on January 23<sup>rd</sup>, 2018 and November 20<sup>th</sup>, 2018, the Board of Statutory Auditors confirmed on that date that each statutory auditor met the independence requirements set out in the Code. The Board of Statutory Auditors applied all the criteria set out in the Corporate Governance Code in assessing independence.

As concerns, in particular, the independence requirement of the Effective Auditor Alessandro Trotter, for whom, during the Year 2018, nine years of office have passed since the first appointment for the Board of Statutory Auditors of the Issuer, the Board of Statutory Auditors has applied the principle of the prevalence of the content on the form, acknowledging the independence stated by the same auditor, during the annual verification.

\* \* \* \* \*

Concerning the Induction, please see what has been reported about the Board of Directors (paragraph 4.2 of this Report).

\* \* \* \* \*

Pursuant to Application Criterion 8.C.4 of the Code, the Auditors' remuneration is computed based on the commitment required, the significance of the role as well as the dimensional and sectorial characteristics of the Issuer.

On that matter, the Meeting of April 30<sup>th</sup>, 2018 has approved the proposal made by the Board of Directors regarding the adjustment of the remuneration of the Board of Statutory Auditors, starting from the Financial Year 2018<sup>23</sup>.

Salini Impregilo complies with the guidelines of Criterion 8.C.4 of the Code whereby statutory auditors that either directly or on behalf of third parties have an interest in a specific transaction shall promptly and completely inform the other statutory auditors and the Chairman of the Board of Directors about the nature, scope, origin and terms of their interest.

In the meetings held during the year, the Statutory Auditors met the Independent Auditors who described the scope of their appointment, their responsibilities and independence, and the procedures carried out for Salini Impregilo and the group companies that have engaged them. During the Year, the independent auditors confirmed their independence in written form to the Board of Statutory Auditors.

The Board of Statutory Auditors, in carrying out its activity, coordinated with the Internal Audit function and with the Control and Risk Committee, participating with the Chief Internal Auditor to the meetings held by the Control and Risk Committee. The Chief Internal Auditor also participated in several Board of Statutory Auditors' meetings where his activity was examined.

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## 15. INVESTOR RELATIONS

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The Company believes that it is in its interests - and also that it has a duty to the market - to have an ongoing dialogue with its shareholders and institutional investors based on a common understanding of their roles. Such dialogue takes place within the boundaries established for confidential information to ensure that investors and potential investors receive information upon which they can base their investment decisions.

Therefore, it set up Investor Relations unit in July 2001 which reports to the head of the Investor Relations unit (currently Amarilda Karaj) whose specific duties include managing relations with investors. This

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<sup>23</sup> For further information on that matter, please see the Board of Directors' Report on the agenda of the meeting held on April 30<sup>th</sup>, 2018, published on the Company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance – Shareholders' Meeting" section, within the documents concerning that meeting, made available by the Company according to law.

person has an e-mail address specifically for receiving communications and requests from shareholders ([investor.relations@salini-impregilo.it](mailto:investor.relations@salini-impregilo.it)).

The Investors Relations section in company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) contains all the financial information as well as up-to-date documents of interest to the shareholders, so that they may exercise their rights in an informed manner.

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## 16. SHAREHOLDERS' MEETINGS

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Here are reported the main provisions of Bylaws concerning the Meetings of Salini Impregilo.

**ARTICLE 12** – Meetings can take place in Italy and not necessarily at the registered office. Ordinary meetings are called every year within one hundred and twenty days of the reporting date and, at the very latest, within one hundred and eighty days if the legal conditions for doing so are met. Ordinary and extraordinary meetings are also called whenever the Board of Directors deems it suitable and when provided for by law. It also takes the authorisation decision provided by the procedure for Related Party Transactions adopted by the Company, including urgent decision in compliance with the simplified modalities allowed by the applicable regulations on that matter.

**ARTICLE 13** – Each ordinary shares corresponds to a voting right.

**ARTICLE 14** – Each holder of a right to vote who is eligible to attend a Shareholders' Meeting can be represented at the Shareholders' Meeting by means of a written proxy given to another party, pursuant to the law.

The Chairman of the Shareholders' Meeting is responsible for verifying the validity of the proxies and the rights of those present to attend the Meeting

**ARTICLE 15** – Both ordinary and extraordinary Shareholders' Meetings shall be constituted and pass resolutions according to the law. The conditions for electing members of the Board of Directors and the Board of Statutory Auditors are set out respectively by the Article 20 and 29 of the Bylaws, (Sections 4 and 13 of this Report).

**ARTICLE 16** – The Shareholders' Meeting shall be convened by a notice to be published under the terms and conditions of the law. The Ordinary and Extraordinary Shareholders' Meeting shall take place in a single call, unless the Board of Directors, for a given Shareholders' Meeting, has resolved to specify the date for the second and, possibly, third call, providing such information in the call notice.

**ARTICLES 17 – 18 – 19** – The meeting is chaired by the Chairman of the Board of Directors, or in his absence, by one of the deputy chairmen. If this is not possible, the meeting appoints a chairperson from among the directors or Shareholders present.

The Chairman of the Shareholders' meeting has full powers to verify the eligibility of holders of voting rights to attend the meeting and, more specifically, the validity of proxies, to ascertain whether the meeting is duly convened and with the required quorum, as well as the power to manage and govern the proceedings and establish the voting procedures.

The Shareholders' Meeting appoints a secretary who need not be a shareholder.

Resolutions are recorded in minutes entered in a special register signed by the Chairman, the Secretary and the vote-counters, if appointed.

The minutes of the Shareholders' Meeting, if drawn up by a Notary (public), are subsequently recorded in the aforementioned register.

With regard to the Meeting held on April 30<sup>th</sup>, 2018, the Board of Directors submitted their relations on all the points of the meeting agenda and the Issuer's controlling shareholder (Salini Costruttori S.p.A.) presented a list for the appointment of the Board Directors.

\* \* \* \* \*

The Ordinary Shareholders' Meeting of May 8<sup>th</sup>, 2001 approved the "Regulation of Shareholders' Meeting" based on the scheme proposed by Assonime aiming to ensure the orderly conduct of meetings with respect to each shareholder's fundamental right to request clarifications about matters on the agenda, to express its opinion and make proposals.

These regulations set out the methods used to ensure each shareholder's right to take part in discussions about the matters on the agenda (please see the Article 6 of the afore-mentioned Regulation).

The "Regulation of Shareholders' Meeting" is available on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance – Shareholders' Meeting" section.

\* \* \* \* \*

The only Shareholders' Meeting of this Year held on April 30<sup>th</sup>, 2018 was attended by (including the Chairman and the Chief Executive Officer) 8 Directors.

The Board of Directors reported to the shareholders about the activities both carried out and planned for the future in the meetings and it took the necessary steps to ensure that the shareholders receive adequate information about the matters in order to be able to make informed decisions. No shareholder attending the meeting required the Chairman of the Compensation and Nominating committee to refer on the procedures of the functions of the Committee.

In accordance with current Bylaws requirements, changes in the Issuer's market capitalization during the year did not impair the exercise of actions or privileges designed to protect the minority shareholders.

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## 17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

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### **Corporate Social Responsibility Department**

The Company's current organizational structure includes the Corporate Social Responsibility Department under the Corporate & Finance General Director. This department defines and guarantees the implementation of a Sustainability Plan that adheres to the company's targets and that is consistent with international standards. It also prepares the Consolidated non-financial statement.

### **Sustainability matters connected to Company activities and to how said Company interacts with its stakeholders**

The Board of Directors held on December 17<sup>th</sup>, 2015, resolved that although the company does not belong to the FTSE-MIB index, but is aligned to best practices. pursuant to Comment to Art. 4 of the said Code, resolved that supervision on sustainability matters connected to the company's activities and to how the company interacts with all the stakeholders must be carried out by the Control and Risk Committee.

### **Whistleblowing System**

With regard to the comment regarding Art. 7 of the Code, which envisages that "*The Committee thinks that at least within issuing companies belonging to the FTSE-MIB there should be an adequate internal control risk management system that includes an internal whistleblowing system used by employees to report any irregular behaviour or legal and regulatory violations that are in line with the best existing national and international best practices, to guarantee a specific information channel that safeguards the anonymity of the whistleblower.*" This is done voluntarily - as there is no obligation for the company to comply, as it is not included in the FTSE-MIB index- and in order to align itself with current best practices, having obtained the approval of the Control and Risk Committee, the Board of Directors on December 17<sup>th</sup>, 2015, adopted a specific system for managing notifications regarding irregular behaviour or legal and regulatory violations. The Company, on November 15<sup>th</sup>, 2017, updated the procedure "Management of Reports and Investigations" aiming to regulate the dealing with the reports that arrives through the channel whistleblowing. The procedure is in line with the provisions of Law 179/2017 and the *best practice* provided by Confindustria in its well-known informative "The discipline of whistleblowing".

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## 18. CHANGES SINCE YEAR END

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Since the end of year closing no changes to the corporate governance structure were made in the Company's corporate governance.

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## 19. THE OBSERVATIONS ON THE LETTER OF DECEMBER 21<sup>ST</sup>, 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

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The Board of Directors during the meetings of January 22<sup>st</sup>, 2019, and March 15<sup>th</sup>, 2019, analysed the recommendations contained in the letter of December 21<sup>st</sup>, 2018 of the Chairman of the Borsa Italiana S.p.A. Corporate Governance Committee, aiming to assess the adoption of further controls and solutions as intended to to a better adjustment to meet the provisions of the Code or to a better information on matter of this Report.

Among the Recommendations within the Report of the Corporate Governance Committee has also taken into account – already on December 14<sup>th</sup>, 2018, waiting for the letter by the Chairman Patrizia Grieco – also the Compensation and Nominating Committee, during the definition of the modalities through which perform the self-evaluation for the Year 2018 and the review of the questionnaire to be used for that purpose.

Considerations from the Board of Directors during the afore-mentioned meeting were the following:

### 1. about pre-meeting information

- *with regard to the recommendation of the Committee of expressing a clear evaluation of the adequacy of the pre-meeting information received during the Year*, the Board of Directors has acknowledged that this evaluation has been performed on annual basis within the Board Evaluation, through specific questions on that particular item. As concerns the Year 2018, please see the paragraph 4.3.
- *with regard to the recommendation of the Committee of ensuring the confidentiality requirements, without prejudice to the completeness and the promptness of the information flows before the meetings*, the Board of Directors has made its considerations expressed in the paragraph 5;

### 2. About independence

- *with regard to the recommendation of the Committee of strengthening the independence criteria provided by the Corporate Governance Code, providing limited exception which be part of a deep evaluation on single basis, referring to the situation of each Director, and providing a proper explanation within the Corporate Governance Report*, the Board of Directors noted that, at this date, no term of systematic implying refusal referred to individual cases of the requirements of the Code occurred. In any case, the Board committed itself to strictly evaluate any possible case on this matter, carefully examining each case with a complete explanation of the Corporate Governance Report;
- *with regard to the recommendation of the Committee of taking into consideration the control by the Auditing bodies on the appropriate implementation of those independence criteria*, the Board acknowledges that, during the annual verification of the independence criteria of the Directors, the Board of Statutory Auditors of the Company usually performs the verifications needed for the appropriate implementation of these criteria and the process of acquisition of the information needed. During the Financial Year 2018, precisely during the meeting on April 30<sup>th</sup>, 2018, the Statutory Board has supervised the appropriate implementation of criteria and the evaluation procedures used by the Board of Directors to check the independence of its newly elected members, about which it has not expressed any consideration.

### 3. With regard to the Board Review

- *with regard to the recommendation of the Committee of ensuring full transparency about the modalities for the Board Review*, the Board has stated that the Company's Board Review is a structured and transparent process, involving more than one unit (Compensation and Nominating Committee as Nominating Committee, Independent Directors as Internal Audit, Board of Directors).
- The Board has also acknowledged that this process is usually shown in details within the annual Governance Report (please see, on that matter, what has been said on the previous Section 4.3);
- *with regard to the recommendation of the Committee of considering a some Board members to supervise the Board Review process*, the Board has stated that among these members there is the Compensation and Nominating Committee, as Nominating Committee. This body performs the



necessary investigation on board review, both at the moment of implementation and in examining results, promoting, in addition, the involvement of Independent Directors in both phases. The Board of Directors has therefore acknowledged within this Committee, the part composed by board members formally appointed with the supervision of the Board Review process.

- *With regard to the recommendation of the Committee to adopt modalities enhancing the individual contribution of each Director*, the Board of Directors has acknowledged that the Board Review process for the Year 2018 has been defined by each Director, filling a specific questionnaire providing, in addition to multiple-choice or range-measurement-based questions, specific sections for the free expression of any possible comment/consideration by the Directors themselves. The outcomes of the Board Review has been shared in specific meeting of the Independent Directors who have been able, also during those meetings, to discuss and to report any possible issue to be in-depth analysed by the Board of Directors;

#### **4. About compensation,**

- *giving in the compensation policies a greater weight to long-term variable components*, the Board of Direction noted that in the Compensation Policy 2018 was already envisaged that the compensation for the CEO, General Directors and Executives with strategic responsibilities is equal to 1/3 of the long-term variable component (Long Term Incentive). The Board of Directors has also taken into account of this Recommendation in defining the Compensation Policy 2019 which will be submitted to the Meeting on April 24<sup>th</sup>, 2019, which we refer to;
- *with regard to the recommendation of the Committee to limit to single exceptions, after a proper explanation, the possibility to dispense sums non-related to predetermined criteria (e.g. "ad-hoc" bonus)*, the Board has acknowledged that the Compensation policy 2018, paragraph 1.4, already considered as possible cases for distributing money as discretionary and non-recurrent bonus, further variable compensation components, the achievement of extraordinary results and/or individual performances so significant to strongly impact on values and productivity volumes of the Company and/or on the related profitability and, therefore, justifying this additional money distribution. The Board of Directors has in any case taken in consideration the said Recommendation, in defining the Compensation Policy 2019, to be submitted to the Meeting on April 24<sup>th</sup>, 2019, which we refer to.

The afore-mentioned Recommendation have been examined also by the Board of Statutory Auditors, which has agreed on the considerations made by the Board of Directors, in particular with regard to the recommendation to the controlling body for the proper adoption of those independence criteria.

For the Board of Directors  
The Chairman Alberto Giovannini

**TABLE 1**  
**STRUCTURE OF THE CURRENT BOARD OF DIRECTORS AND COMMITTEES AT THE END OF THE 2018 FINANCIAL YEAR**

Board of Directors as at December 31 <sup>st</sup> , 2018													CCR		CRN		COPC	
Position	Members	Year of birth	First appointment	In office since	In office until	List **	Exec	Non-exec	Indep by Code	Indep by TUF	(*)	No. other positions	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Alberto Giovannini	1955	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	-	-	16/16	5	-	-	-	-	-	-
CEO • 	Pietro Salini	1958	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	X	-	-	-	16/16	1	-	-	-	-	-	-
Deputy Chairman	Nicola Greco	1949	12.09.13	12.09.13	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	15/16	-	7/8	M	4/5	M	-	-
Director	Marina Brogi	1967	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	15/16	3	7/8	M	11/11	P	-	-
Director	Giuseppina Capaldo	1969	11.06.12	11.06.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	16/16	2	12/13	M	-	-	5/5	M
Director	Mario Giuseppe Cattaneo	1930	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	14/16	1	13/13	P	-	-	-	-
Director	Roberto Cera	1955	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	-	-	16/16	-	-	-	-	-	-	-

Board of Directors as at December 31 <sup>st</sup> , 2018													CCR		CRN		COPC	
Position	Members	Year of birth	First appointment	In office since	In office until	List **	Exec	Non-exec	Indep by Code	Indep by TUF	(*)	No. other positions	(*)	(**)	(*)	(**)	(*)	(**)
Director	Maria Raffaella Leone	1962	30.04.18	30.04.18	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	10/10	-	-	-	-	-	-	-
Director	Geert Linnebank	1956	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	15/16	3	-	-	11/11	M	5/5	M
Director	Giacomo Marazzi	1940	12.09.13	12.09.13	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	15/16	-	-	-	-	-	5/5	M
Director	Ferdinando Parente	1961	30.04.18	30.04.18	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	m	-	X	X	X	10/10	1	2/3	M	-	-	5/5	P
Director	Franco Passacantando	1947	12.09.13 effective from 15.12.13	12.09.13 effective from 15.12.13	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	12/16	3	11/13	M	-	-	-	-
Director	Laudomia Pucci	1961	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	X	X	14/16	5	-	-	10/11	M	-	-
Director	Alessandro Salini	1961	28.04.16	28.04.16	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	-	-	14/16	-	-	-	-	-	-	-
Director	Grazia Volo	1952	16.03.16	16.03.16	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2020	M	-	X	-	-	13/16	-	-	-	-	-	-	-

Auditors whose office ceased during the Financial Year 2018													CCR		CRN		COPC	
Position	Members	Year of birth	First appointment	In office since	In office until	List **	Exec	Non-exec	Indep by Code	Indep by TUF	(*)	No. other positions	(*)	(**)	(*)	(**)	(*)	(**)
Director	Marco Bolgiani	1957	30.04.15	30.04.15	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2017	m	-	X	X	X	6/6	n.d.	5/5	M	-	-	-	-
Director	Pietro Guindani	1958	17.07.12	17.07.12	Shareholders' Meeting to approve the Financial Statement as at December 31 <sup>st</sup> , 2017	M	-	X	X	X	6/6	n.d.	5/5	M	-	-	-	-

Quorum required to present lists at the time of last appointment: 1%																		
No. Of meetings held during the Financial Year in question:						BoD: 16								CCR: 13		CRN: 11		COPC: 5

#### NOTE

• This symbol indicates the Director in charge of the internal control and risk management system.

◊ This symbol indicates the main person responsible for management of the Issuer (Chief Executive Officer).

\* By date of first appointment of each director is meant the date on which the director was appointed for the first time (ever) to the Issuer's Board of Directors.

\*\* This column indicates the list from which each director was taken ("M": majority list; "m": minority list; BoD: list submitted by the BoD).

\*\*\* This column indicates the number of offices as director or statutory auditor held by the person in other companies listed on regulated markets, including foreign markets, financial, banking, insurance companies or large companies. In the Report on Corporate Governance the positions are indicated in full..

(\*) This column indicates the attendance of directors in Board and committee meetings, respectively, in relation to the total number of meetings held during the respective period of office.

(\*\*) This column indicates the qualification of the director in the Committee: "P": chairman; "M": member.

#### CAPTION

CRC - Control and Risk Committee

CNC – Compensation and Nominating Committee

CRPT – Committee for Related - Party Transactions

**TABLE 2**  
**STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE END OF 2018 FINANCIAL YEAR**

<b>BOARD OF STATUTORY AUDITORS AS AT DECEMBER 31<sup>ST</sup>, 2018</b>									
Position	Members	Birth Date	First appointment	In charge since	In charge until	List (M/m)	Indep. by the Code	part. C.S.	No. Of other positions
Chairman	Giacinto Gaetano Sarubbi	1963	27.04.17	27.04.17	Shareholders' meeting to approve the financial statement at December 31 <sup>st</sup> , 2019	m	X	20/20	3
Statutory Auditor	Alessandro Trotter	1940	07.05.08	27.04.17	Shareholders' meeting to approve the financial statement at December 31 <sup>st</sup> , 2019	M	X	19/20	5
Statutory Auditor	Teresa Cristiana Naddeo	1958	30.04.14	27.04.17	Shareholders' meeting to approve the financial statement at December 31 <sup>st</sup> , 2019	M	X	19/20	2
Statutory Auditor	Piero Nodaro	1959	27.04.17	27.04.17	Shareholders' meeting to approve the financial statement at December 31 <sup>st</sup> , 2019	M			
Statutory Auditor	Roberto Cassader	1965	27.04.17	27.04.17	Shareholders' meeting to approve the financial statement at December 31 <sup>st</sup> , 2019	m			
<b>Quorum required to present lists at the time of last appointment: 1%</b>									
<b>No. Of meetings held during the Financial Year in question: 20</b>									

There was no outgoing Statutory Auditor during 2018.

**LIST OF POSITIONS HELD IN OTHER COMPANIES LISTED ON REGULATED MARKETS  
(ALSO FOREIGN), IN FINANCIAL COMPANIES, BANKS, INSURANCE COMPANIES OR  
COMPANIES OF SIGNIFICANT SIZE**

*(the Companies in question are not part of the Issuer's Group)*

Director	Company	Position
<b>Alberto Giovannini</b>	MTS S.p.A. EUROMTS LIMITED UNIFORTUNE INVESTMENT MANAGEMENT LTD DTCC DERIVATIVES REPOSITORY PLC (UK) DTCC DERIV/SERV LLC (US)	Chairman Chairman Director Director Director
<b>Pietro Salini</b>	SALINI COSTRUTTORI S.p.A.	CEO
<b>Marina Brogi</b>	MEDIASET S.p.A. CLESSIDRA SGR BANCO DI DESIO E DELLA BRIANZA S.p.A.	Director Statutory Auditor Director
<b>Giuseppina Capaldo</b>	FERRARI N.V. TIM S.p.A.	Director Director
<b>Mario Cattaneo</b>	BRACCO S.p.A.	Director
<b>Roberto Cera</b>		=
<b>Nicola Greco</b>		=
<b>Maria Raffaella Leone</b>		=
<b>Geert Linnebank</b>	INDEPENDENT TELEVISION NEWS REFERENDUM FACTS LTD THOMSON REUTERS FOUNDATION - TRUSTEE	Non-executive Director Non-executive Director Non-executive Director
<b>Giacomo Marazzi</b>		=
<b>Ferdinando Parente</b>	BANCA SELLA S.p.A.	Director
<b>Franco Passacantando</b>	EUROCLEAR PLC EUROCLEAR SA/NV ANTIRION SGR	Director Director Chairman
<b>Laudomia Pucci</b>	FASHION FLORENCE INTERNATIONAL EMILIO PUCCI S.R.L. POLIMODA FONDAZIONE ALTAGAMMA SETTORE MODA FONDAZIONE PALAZZO STROZZI USA	Director Deputy Chairman Director Deputy Chairman Director
<b>Alessandro Salini</b>	-	=
<b>Grazia Volo</b>	-	=

**Salini Impregilo S.p.A.**  
[www.salini-impregilo.com](http://www.salini-impregilo.com)  
[www.webuildvalue.com](http://www.webuildvalue.com)

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