

2018 Consolidated Non-financial Statement

Prepared in accordance with Legislative decree no. 254/2016

After more than 110 years of operations, Salini Impregilo has developed a robust business model capable of creating economic value for its shareholders, investors and clients while generating social and environmental value for the stakeholders of the areas in which it operates, adopting an approach designed to create shared value.

This Consolidated Non-financial Statement (the “Statement”) refers to Salini Impregilo Group (the “Group”), which includes Salini Impregilo S.p.A. and the fully-consolidated companies. The terms “Salini Impregilo” or the “Company” are used to refer to just the parent, Salini Impregilo S.p.A.. More information about the Statement’s scope is given in the section “Methodology for reporting non-financial information”.

The policies, management systems and internal procedures described below refer to Salini Impregilo. The essential content of these documents is reviewed by the competent bodies of the subsidiaries, consortia, consortium companies, etc. in which Salini Impregilo has an investment with a view to their adoption. The subsidiary Lane (USA) has its own policies and operating methods for non-financial aspects, which are based on those of the Company.

Sustainability context

Infrastructure is the cornerstone of the economic and social activities of all communities and is essential for growth. It facilitates access to basic services, underpins local development and improves the communities’ quality of life.

The main global megatrends (climate change and resource scarcity, accelerated urbanisation, demographic and social shifts, shifts in economic power and technological breakthroughs¹) influence the decisions of governments and economic operators, which have a direct impact on the infrastructure sector.

The international community has undertaken important initiatives to manage the changes underway, like the United Nations’ Agenda 2030 for Sustainable Development and the Paris Climate Agreement.

The Agenda 2030 is an action plan signed by the governments of the 193 member states of the UN that have committed to achieving the 17 goals (the Sustainable Development Goals or SDG) by 2030.

These goals attribute great importance to infrastructure, acknowledging the added value of greater access to basic services, protection from climate-related extreme events and the stimulus to economic growth and innovation.

They also make an important contribution to achieving the objectives of fighting climate change contained in the Paris Agreement, as they are tied to more than 60% of the worldwide emissions of greenhouse gases².

¹ Source: PWC UK, Megatrends: 5 global shifts changing the way we live and do business, <https://www.pwc.co.uk/issues/megatrends.html>

² Source: The Sustainable Infrastructure Imperative, New Climate Economy – The Global Commission on the Economy and Climate, 2016

The following table sets out the drivers that influence investments in infrastructure in various markets according to the Global Commission on the Economy and Climate:

Type of economy	Drivers of demand for infrastructure
Global	<ul style="list-style-type: none"> - Rapid economic growth in emerging economies and developing countries - Government policies designed to meet the goals set in the Paris Agreement and the UN's SDGs, which require investments for new infrastructure and the modernisation of existing infrastructure
Developing economies (low income)	<ul style="list-style-type: none"> - Need to increase the population's access to basic services: water, energy, mobility, housing, healthcare - Improve adaption and resilience to climate change and other social and environmental stresses - Improve connections between areas through physical and virtual infrastructures
Emerging economies (medium income)	<ul style="list-style-type: none"> - Rapidly growing urban population - Expansion of a middle class with rising incomes - Need to guarantee access to basic services for the new urban/middle class population - Need to eliminate the infrastructure gaps in urban areas and improve regional connections, focusing on resilient and low-carbon infrastructure
Advanced economies	<ul style="list-style-type: none"> - Need to modernise or replace obsolete infrastructure which no longer meets the population's needs - Rethink urban development models, rectifying previous trends that led to congested cities, reliant on private means of transport, consuming high levels of resources and with high atmospheric pollution

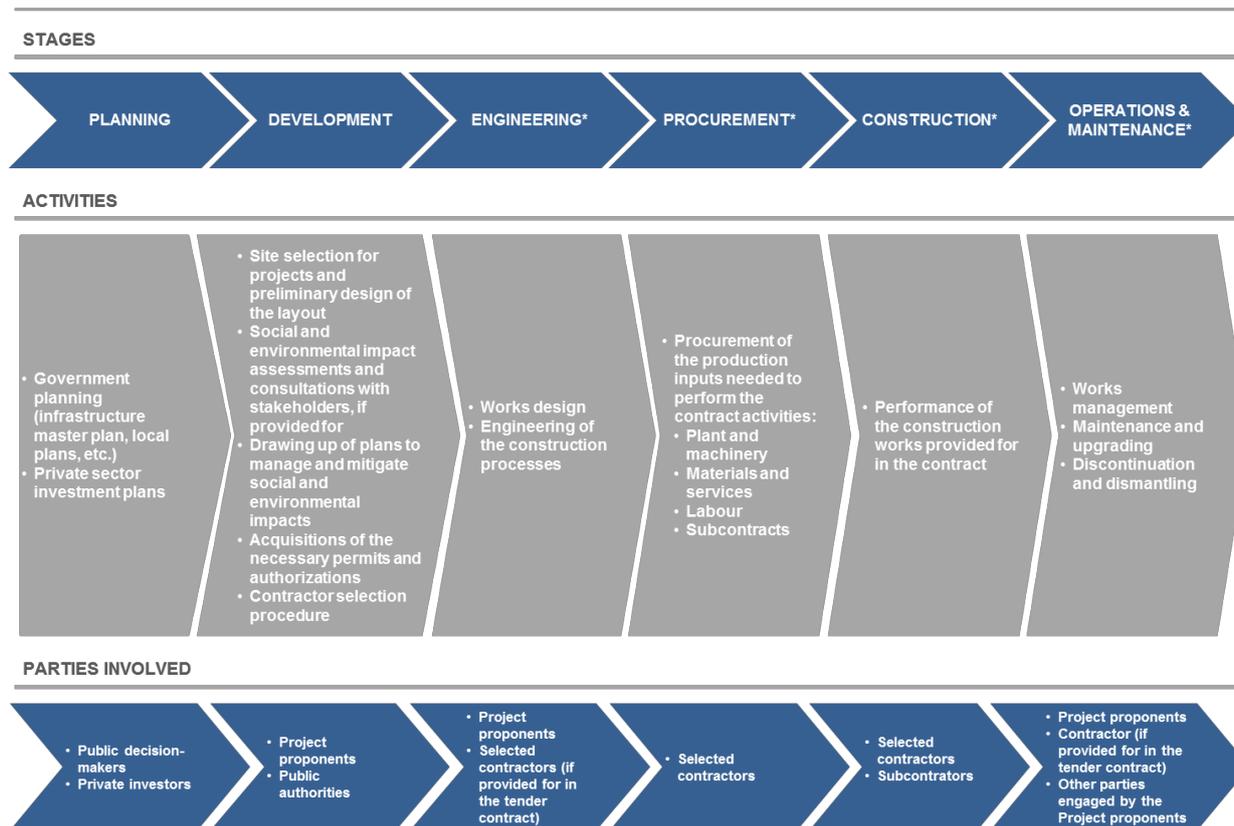
Infrastructure built by Salini Impregilo Group contributes to progress towards various SDGs. The Group assists its clients in strategic areas such as energy (SDG 7 and SDG 13), water resource management (SDG 6) and mobility (SDG 9 and SDG 11) by building works that foster the communities' development and wellbeing.

The infrastructure sector and Salini Impregilo's role

The infrastructure market is highly regulated and its numerous operators are involved in planning, assessing, approving, developing, building and operating infrastructure according to their roles and responsibilities assigned by the relevant regulations.

The following chart shows the main stages of an infrastructure project's life cycle:

INFRASTRUCTURE'S LIFE CYCLE



* Main stages of the infrastructure's life cycle in which Salini Impregilo Group is involved

An infrastructure project is planned by a public administration or private sector body that, either directly or through other parties (e.g., the public administration usually operates through state-owned entities), is also involved in the subsequent stages of developing the infrastructure project as the Project proponent.

This stage involves a number of activities that include identifying the project locations, performing feasibility studies and, based on the type of work and applicable legislation, completing the social and environmental procedures (assessment of potential impacts, consultations with stakeholders, identification of mitigation measures and compensation).

The public authorities (usually ministries or state environmental protection agencies, assisted by local bodies of the area where the project is to take place) actively engage in these procedures: assessing the adequacy of the social and environmental impact assessments, the consultation programmes and mitigation plans prepared by the Project proponent.

Upon completion of these procedures, the relevant authorities issue the appropriate authorisations, which include any social and environmental requirements the Project proponent has to abide by during the project.

Contractors such as Salini Impregilo enter the project development process only after the decision-making stage has been completed as this only involves the client and the public authorities. The Group takes part in selection procedures, organised by public and private clients to award the tenders, which may cover specific

project activities (e.g., just construction), the entire engineering, procurement and construction cycle or also the following operations & maintenance activities.

Therefore, the contractor does not take part in any activities prior to the assigning of the contract or the prior assessment processes, including the assessment of the project's social and environmental impacts and consultation of stakeholders.

As described earlier, these assessments are the sole responsibility of the Project proponent and of the public authorities, as they are required to meet the relevant obligations under the applicable regulations. They also have the decision-making powers about the findings of the assessment process. It follows that the potential social and environmental impacts of the work itself (e.g., loss of biodiversity due to the infrastructure's presence, expropriation of land) are the sole responsibility of the Project proponent.

The contractor is obliged to comply with the social and environmental requirements of the applicable regulations, the contract and any provisions imposed by the competent authorities when they approve the impact assessments. The social and environmental impacts attributable to the contractor arise solely from the contract activities and are mainly of a temporary nature (e.g., disruptions caused by the work site, health and safety in the workplace).

Material non-financial topics

Given the reference context, the specific nature of the infrastructure sector, the Group's strategies and the inputs from its stakeholders, Salini Impregilo has drawn up and regularly revises a list of material topics on which it provides non-financial disclosures pursuant to Legislative decree no. 254/2016. The Company adopts the GRI Sustainability Reporting Standards in the preparation of this Statement (more information is available in the section "Methodology for reporting non-financial information").

The statement is divided into sections on the following macro topics:

- Personnel;
- Human rights;
- Environment;
- Anti-corruption;
- Supply chain;
- Social aspects.

Company organisation

Salini Impregilo's corporate governance model is based on the traditional management model and is in line with international best practices. At the end of 2018, the Company's Board of Directors had 15 members, including five women (33.3%) and ten who met the independence requirements (66.6%). The Board of Directors has three committees: the Control and Risk Committee, the Compensation and Nominating Committee and the Committee for Related-Party Transactions. The Control and Risk Committee, comprised of six independent directors, examines this Consolidated Non-financial Statement connected to the Company's activities and engagement with its stakeholders.

The Company has an organisational and management model based on a system of principles (Code of Ethics and Policies) and management and control tools (risk management, procedures and controls) designed to supervise significant non-financial topics in line with the regulations applicable in the countries where it operates, standard principles and international guidelines.

Salini Impregilo is a signatory of the UN's **Global Compact**, the largest global sustainability initiative that requires companies to align their operations and strategies with ten universally-recognised principles on human rights, labour practices, the environment and anti-corruption.

Code of Ethics

The Company has a Code of Ethics, which sets out its principles and rules of conduct that people who work for or with Salini Impregilo are required to adhere to during their everyday work.

The Code applies to the directors, statutory auditors, managers and employees of Salini Impregilo as well as all those parties that directly or indirectly, temporarily or on an ongoing basis work with the Company, to the extent of their duties and responsibilities.

They are required to comply with the laws and regulations applicable in the various geographical areas in which the Company operates and to base their conduct on that set out in the Code.

The Code of Ethics has three sections:

Ethical principles: the reference principles to which Salini Impregilo employees are required to adhere: integrity, honesty, reliability and sustainability.

Rules of conduct: the practical implementation of the ethical principles incumbent on all parties required to comply with the Code; the rules of conduct set out in the Code cover all the non-financial aspects dealt with in this Statement.

Application and compliance: the internal procedures used to monitor application of the Code and the communication systems available to the parties required to comply with the Code.

Company policies

Salini Impregilo has issued a number of company policies, which alongside the Code of Ethics, represent the main points of reference for all people working for the Company. They are summarised below:

Sustainability policy: the principles that the Company is committed to complying with during its operations in order to contribute to economic progress, social well-being and the environmental protection of the countries where it operates.

Health and safety policy: the principles that the Company is committed to complying with to protect the health and safety of its employees, suppliers and subcontractors during the entire life cycle of its contracts (design, construction and development) and in the workplace; its objective is “zero injuries”.

Environment policy: the principles that the Company is committed to complying with in order to mitigate possible adverse effects on the environment, protect the ecosystem and increase the beneficial effects, contributing through its projects to resolving the main global environmental issues.

Quality policy: the principles that the Company is committed to complying with to ensure its client’s full satisfaction, the active involvement of all stakeholders and ongoing improvement of the Quality System, based on its fundamental goal of “build to perfection”.

Anti-corruption policy: this comprises the anti-corruption principles to be adhered to by all employees, based on the fundamental tenet of “zero tolerance”.

The Company strengthened its commitment to human rights and workers with the **International Framework Agreement** signed in 2014 with the Italian (Feneal-UIL, Filca-CISL and Fillee-CGIL) and international (BWI - Building and Wood Workers’ International) trade unions of the construction sector.

Some group companies active outside Italy have additional policies in place to regulate certain aspects (e.g., diversity and equal opportunities) when this is required by the local regulations or applicable best practices.

Management and control system

The Company has an internal control and risk management system incorporating rules, procedures and organisational structures to ensure healthy, ethical business practices that are consistent with its objectives through appropriate procedures to identify, measure, manage and monitor the main risks.

This system is based on standards which require that:

- business activities be based on applicable internal and external rules, can be mapped and documented;
- the allocation and exercise of powers as part of a decision-making process be commensurate with the positions of responsibility and/or the size and/or significance of the underlying transaction;
- those parties that take or implement decisions, that record transactions and those that are required to perform the controls over such transactions provided for by law and procedures envisaged by the internal controls be different parties;
- confidentiality and compliance with the personal data protection legislation be ensured.

Salini Impregilo has also voluntarily adopted an **integrated QEHS (Quality, Environment, Health and Safety) Management System** in compliance with the international standards ISO 9001, ISO 14001 and OHSAS

18001 (ISO 45001), as well as an **Anti-Corruption Compliance System** pursuant to ISO 37001. An independent expert certifies these systems and more information is given about them in the subsequent sections.

Organisation, Management and Control Model

Salini Impregilo has introduced an Organisation, Management and Control model (the “231 model”) to:

- prevent the commission of the predicate crimes as per Legislative decree no. 231/01;
- define and implement an internal culture based on respect and transparency;
- increase awareness among employees and stakeholders.

The Model sets out specific controls implemented in internal procedures in order to monitor transactions exposed to the potential risk of crimes that would trigger the administrative liability of companies.

It includes measures to identify and reduce potential risks of non-compliance with the provisions of Legislative decree no. 231/01. With respect to the risk of bribery crimes, the Model’s controls are aligned to the Anti-corruption Compliance System.

The Integrity Board, which is an independent control body, monitors the effective implementation of and compliance with the Model. The Company has informed its employees of an email and postal address for any communications to be made directly to the Integrity Board, guaranteeing their anonymity and protection from any form of reprisal. Notification of alleged violations of the Model can also be made using the whistleblowing system (see the Anti-corruption section) which forwards them to the Integrity Board.

This complies with Law no. 179/2017 and Confindustria’s Explanatory Note dated January 2018.

Non-financial reporting system

Salini Impregilo has a non-financial reporting system that complies with the requirements of Legislative decree no. 254/2016 and the GRI Sustainability Reporting Standards. The Corporate Social Responsibility Department supervises this reporting system. This Statement is approved by the Company’s Board of Directors after it has been examined by the Control and Risk Committee.

ESG rating and assessments

The Company is regularly assessed by investors, specialised non-financial rating agencies, clients and other stakeholders on its ESG (Environmental, Social and Governance) performance.

In 2018, it was rated “C+ Prime” by ISS-Oekom, ranking among the top construction sector operators. The Company also obtained the recognition as the “Best Improver” by Vigeo, a “B” rating on the CDP Climate Change questionnaire and a “BB” rating from MSCI.

Salini Impregilo also took part in the OpenCorporation project, the first rating project promoted by a trade union (Filcams-CGIL). It ranked first among the construction companies and fifth in the overall classification.

Finally, the Company was rated “Gold” by EcoVadis, the global platform which assesses the sustainability performances of organisations and is relied on by large clients when selecting contractors.

Main organisational changes

Salini Impregilo revised parts of its organisation during the year to ensure more effective controls over its internal processes.

Specifically, the main organisational projects, which also led to the recruitment of new resources from the market, involved:

- reorganisation of the Corporate and Finance Department to ensure tighter supervision of the economic/financial and business support processes (communications, security, legal and corporate, etc.); this included creating a new Transformation Office to coordinate cross-company strategic projects that are of vital economic and financial importance to the Group;
- streamlining the business areas of the Operations Department by geographical area with a closer focus on projects;
- bolstering the role of the Technical Department as a centre of excellence and expertise to assist the Operations Department over a project’s entire life cycle (bidding, start of work, performance and completion), setting up a dedicated internal unit for technical and engineering aspects for the various types of product.

These changes in the organisational model were flanked by projects to re-arrange and innovate the process model.

Specifically, the Company rolled out a “Performance Dialogue” project to ensure transparent and consistent key objectives/priorities and make the assistance provided by all the functions for achievement of contract objectives more efficient. This included scheduling regular project performance review meetings at various internal levels, using standardised tools and reports to ensure consistent reporting of the progress of all the Group’s projects and identify any appropriate improvement and/or recovery actions. This project covered some pilot contracts in 2018 and will be rolled out to the Group’s entire contract portfolio over the course of 2019.

The Company’s ongoing digitalisation project continued with the introduction of new applications, including a system for the integrated management of data and information flows for commercial and bidding purposes and an electronic signature system for company documents.

A mobile procurement app was developed enabling the procurement approval processes to be managed digitally and on the go. The app was tailored to the Company’s requirements and is the first of its kind in the construction sector, representing the first step towards the full digitalisation of the procurement process. In 2018, the Company also launched a project for the development of a global contract management and

analysis app for an integrated source-to-pay platform in order to improve internal processes, increase transparency, the sharing of data and collaboration with the procurement market.

The Company concurrently rolled out a Knowledge Management programme as part of its drive to improve process efficiency and create value by harnessing and re-deploying experience gained in the field. The programme is designed to optimise the knowledge-sharing tools and methods and access to specialist expertise and will continue in 2019.

Finally, the Company continued to update and supplement its procedures system as part of its ongoing improvement and to comply with changes in the legislative framework. To ensure all its operating units apply this system efficiently, the Group prepared and distributed a Compliance Handbook as part of a multi-functional project to make sure that contract and branch activities are managed in line with Salini Impregilo's principles and rules right from the start. The Handbook provides information that is useful for the adoption of a governance and procedures system for the efficient and effective management of processes, which also mitigates the risk of non-compliance.

Personnel

Internal policies

People, their skills and their dedication are fundamental to any organisation's competitive edge. This is even truer for Salini Impregilo given the special nature of its business, as it performs complex projects which diverge greatly one from another in different and often challenging cultures and contexts.

Salini Impregilo's policy for its personnel is designed to:

- attract and cultivate talented people, especially university graduates and young professionals through employer branding programmes and contacts with the top schools and universities;
- foster a work environment that enhances individual skills and encourages employees to develop their potential through development and training courses and the transfer of skills among employees, promoting a culture of shared learning experiences;
- retain and motivate qualified professional resources with fair, balanced and incentive-based remuneration systems, in line with best market practices and based on merits and performance sustainability;
- maintain the highest levels of protection for health and safety in the workplace for its employees, ensuring the necessary prevention and protection measures are in place to avoid or minimise occupational risks and instil a safety-based culture at all levels and proactive and ethical conduct.

Main risks and management methods

The Company's HR management policy complies with the principles set out in its Code of Ethics and the laws and regulations of the countries where it operates.

The risks and methods used to manage the key employee-related aspects are described below.

Workforce

At 31 December 2018, the Group's workforce was as follows:

Direct workforce by category (GRI 102-8)	Unit	2017	2018
Managers	no.	351	357
White collars	no.	7,194	6,738
Blue collars	no.	23,592	19,469
Total	No.	31,137	26,564

Direct workforce by geographical segment (GRI 102-8)	Unit	2017	2018
Italy	no.	1,936	1,771
Africa	no.	11,273	8,923
Central and South America	no.	2,318	1,849
North America	no.	4,659	2,439
Europe	no.	1,487	1,301
Middle East, Asia and Oceania	no.	9,464	10,281
Abroad	no.	29,201	24,793
Total	no.	31,137	26,564

At year end, technical and production employees made up 80% of the workforce with office employees accounting for the other 20%. The split between open-ended and fixed-term employment contracts is 94.5% and 5.5%, respectively.

If the indirect resources (employees of subcontractors, temporary work agencies and other service providers involved in the Group's projects) are included, the total workforce deployed by the Group in 2018 numbered 65,087 units, up 2% on 2017.

Total workforce by geographical segment (GRI 102-8)	Unit	2017	2018
Italy	no.	4,859	5,242
Africa	no.	14,619	11,620
Central and South America	no.	6,565	5,367
North America*	no.	4,659	2,439
Europe	no.	4,508	4,515
Middle East, Asia and Oceania	no.	28,396	35,904
Abroad	no.	58,747	59,845
Total	No.	63,606	65,087

* Figure for indirect resources unavailable

The above figures relate to the Group's employees at 31 December of each year. A more accurate indicator for organisations that work on a contract basis like Salini Impregilo is the total sum of hours worked by their employees and other workers, which amounted to 188 million hours for the Company in 2018, up 6.4% on 2017.

New hires and outgoing employee trends are affected by the unique nature of the infrastructure sector, where workers are taken on for specific projects with employment contracts that usually end when the works have been completed.

In 2018, the Group hired 8,647 resources, including 4,050 under 30 years old. Outgoing employees numbered 16,135 and this figure includes the transfers of resources among group sites. The greatest number of departures was seen in the US due to the sale of the subsidiary Lane's Plants & Paving Division, in Ethiopia as a result of the advanced stage of completion on the Gerd project and in Colombia from the

Ruta del Sol contract (more information about these events is available in the Directors' report). Voluntary departures made up 14% of the total.

Recruitment, employer branding and development

At corporate and local unit level, the HR planning, selection and recruitment process is regulated by a defined, standardised procedure which includes definition of workforce plans followed by the subsequent structured recruitment stage (internally or on the market), selection, negotiation of the employment contract and entry of the suitable identified candidates.

The local units manage this process at operating level in accordance with local regulations and legislation (e.g., obligation to hire a certain percentage of employees belonging to specific categories or from specific areas). Reference should be made to the "Social aspects" section for information on the employment opportunities created by the Group in the countries where it operates.

The Company has a dedicated recruitment application (SAP SuccessFactors) in place for two years, which ensures transparency and traceability of the process. The US subsidiary Lane introduced this application in 2018 both to be better aligned with the group-wide process and with a view to sharing intragroup talented employees thanks to the merging of the relevant databases.

The recruitment process was also strengthened by the greater focus of selecting the best resources from the market and the integrated management of their selection and development phases, including to promote and guarantee diversity.

Salini Impregilo continued to use tests assessing candidates' current attitude to safety, including for the recruitment of workers for work sites, during the year. This is in line with its focus on the health and safety of its employees so as to be able to include these aspects right from the recruitment phase.

With respect to development, in 2018 the Company launched a significant management development project for the large number of the Group's key resources to assist their career paths, organisational growth and continuation of its succession plans.

Employee Branding activities continued during the year to scout and attract talented young people and to provide professional counselling and tutoring about construction sector career opportunities. This involves strategic agreements with universities, engagement initiatives such as career days, recruiting days, themed workshops in university faculties, presentations and visits to construction sites, with a focus on communications via digital and social media, university websites and the main on-line job boards, as these allow direct and ongoing contact with potential candidates.

Among the strategic agreements with universities, in September 2018, the Company signed an agreement of collaboration with the University of Technology (UTS) in Sydney to fund a scholarship for deserving engineering students and to participate in the university's Women in Engineering Programme.

The agreement provides the Group with access to the academic network and key university events, recruitment and training projects organised by the university and the opportunity to organise targeted selection and orientation campaigns, laying the groundwork for potential future research partnerships. UTS is

the top-ranked university in Australia of those recently set up and one of the top 200 universities around the world.

Another key international event was the Group's participation at the Career Forum of the École Spéciale des Travaux Publics (ESTP) in Paris which attracted five thousand engineering students. The school, which is also called "École Des Grand Projets" is one of the leading French institutes for training in the construction sector.

Salini Impregilo made the "Best Employer of Choice 2019" ranking for the fourth consecutive year, at fourth place in the general classification and taking first place as the most attractive employer for technical and scientific graduates. This prestigious recognition, based on the results of a survey, and the Group's consistent ranking among the top places bolsters its reputation on the labour market and its appeal as an employer of choice, assisted by its regular notification of job vacancies and intense employer branding activities at the main universities.

The employer branding, recruitment and development activities described above, help the Company mitigate risks such as not being able to fill positions due to a lack of qualified personnel available on the market, or a time lapse between the assignment of the project and the starting of works, or an inability to retain and motivate key professionals, including for the broader business continuity purposes.

Training

The Company's training programme is based on an analysis of training requirements, which identifies any gaps and the most appropriate training to resolve them, and strategic change management objectives and the Company's workforce development.

The Group's Learning Academy, introduced in 2015 to promote a new training model that strengthens the existing expertise and disseminates the know-how throughout the organisation, has various training programmes: induction courses on internal policies and procedures for new employees, and courses on compliance (companies' administrative liability as per Legislative decree no. 231/2001 and anti-corruption), health and safety (including the innovative Safety Builders course), languages, technical expertise, economic and financial issues, team building and managerial development.

The Group also provides training through the E-Learning Academy, which deploys the new digital technologies to provide e-learning courses, facilitating the sharing of technical and specialist knowledge.

In 2018, the Company rolled out the third edition (in three years) of the master's degree course "International Construction Management" (levels I and II) at the Milan Polytechnic, a leading university partner. The master course, held in English and open to international students, offers a unique post-degree course as it combines mentoring, tutoring, knowledge-based training, soft skills and professional training. Classroom lessons are mostly provided by Salini Impregilo professionals with a six-month apprenticeship in Italy and abroad under the guidance of company tutors. The 2018/2019 course includes international students (33%) and female students (40%), which is a 20% increase on the first course, confirming the Company's ongoing commitment to promoting the training and professional careers of newly graduated female engineers.

Salini Impregilo also invests in the professional development of its employees around the world in order to ensure their performance meets with the Group's technical, qualitative, environmental and health and safety standards and so that it has qualified personnel for its ongoing and future projects.

Accordingly, projects include professional training courses for the local workforce, defined using parameters that identify the training requirements and needs for each position. Employees must attend the specific training course identified for their roles and requirements (both classroom and on-site).

These courses avoid the risk that employees' technical, professional and managerial skills become obsolete as this could affect the productivity, efficiency and safety of their jobs.

Training hours (classroom and on-site) provided in 2018 covered many aspects (health and safety, the environment, quality, technical/specialist, compliance, management, etc.) for a total of 316,869 hours. These courses were supplemented by important safety courses provided directly in the work sites. During the year, the Group carried out more than 220 thousand Tool Box Talks (short meetings on safety-related aspects held at the start of work shifts) at its work sites, equal to more than 600 a day.

Average per capita training hours (GRI 404-1)	Unit	2017	2018
Managers and white collars	hours	15	16
Blue collars	hours	12	11
Total	hours	13	12

In addition to training given to group personnel, the staff of its subcontractors attended courses on QHSE subjects totalling 248,246 hours in 2018.

Total reward

The Company has operating procedures and practices designed to ensure that its remuneration policies comply with the regulations applicable in all the countries where the Group operates and especially the minimum wage requirements, where these exist. At both corporate and operating level, the Company regularly meets with the trade union representatives (when appointed) to discuss remuneration.

A well-thought out remuneration policy is essential to retain key resources, mitigating the risks Salini Impregilo is exposed to, which are mainly the possible more aggressive remuneration and career policies of competitors. To this end, Salini Impregilo's remuneration policy has the following objectives: retain and motivate qualified professional resources to pursue the Company's and Group's objectives; encourage these resources to stay with the Company and the Group; align, as far as possible, management's interests with the medium to long-term interests of shareholders and stakeholders; ensure financial balance and the sustainability of its policies over time.

In 2018, the Company continued its performance management programme for a small group of key resources. This programme's aim is to strengthen the result-oriented culture and has two categories of objectives (Group performance and individual performance) in line with those of senior management. It provides for the definition of objectives and assessment of the results/performance. Each department is asked to meet its specific objectives, which include non-financial objectives such as safety targets.

Salini Impregilo is aware of the importance that employee satisfaction plays in terms of the quality and productivity of their output and that work/life balance also contributes to this satisfaction.

To this end, on 19 July 2018, it signed an agreement for group employee welfare plan (“LIFE@salini-impregilo”) with the trade union representatives of the Company’s Rome and Milan offices and the sector national and local trade unions. This plan supplements the traditional financial incentives and benefits already in place.

Roughly 600 employees from the two offices of Rome and Milan are involved in this initial experimental phase of the plan.

The plan offers a flexible supplement to the employees’ remuneration packages giving them the option to purchase social utility services using their personalised budget, which can be put towards the cost of education, assistance for elderly family members, public transport passes, private healthcare, voluntary transfers to pension plans and goods and services in kind.

Health and safety in the workplace

Focus on health and safety in the workplace is one of Salini Impregilo’s fundamental values. It has a BS OHSAS 18001 certified health and safety in the workplace management system, which defines the main processes, roles and specific responsibilities to achieve its objectives and implement its safety policies. The company commenced a review of the system to align it with the requirements of the new ISO 45001:2018, which will be completed in 2019.

During the year, the overhaul of the Corporate Safety, Environment and Systems Unit continued to better meet management’s objectives:

- ensuring coordination of the HSE management system activities to be of use to HSE teams at work sites;
- encouraging a change in the HSE culture through a competence centre to develop policies;
- setting up a technical safety unit to further integrate health and safety aspects within engineering processes;
- set up a corporate health unit to monitor contracts;
- ensuring continued health and safety operating support to the contract work sites.

The main risk the Group is exposed to in this respect is partial non-compliance with the relevant regulations with the resulting potential impact on its workers, in terms of professional illnesses and injuries, and on itself in terms of potential sanctions. Changes in regulations and external factors tied to the operating context (e.g., climate, social, cultural factors) are the main sources of risk for the Company.

Specifically, workers are exposed to various types of risks that could affect their health and safety based on the geographical location of each operating unit and their specific activities. Each office and work site that applies the Group’s health and safety management system has the following measures to manage these risks:

- identification and assessment of the exposure to the risk;

- identification of the persons at risk;
- assessment of each job's risk;
- identification of control measures to reduce the risk;
- monitoring work areas to check that control measures are in place and effective;
- making employees aware of these risks through information, training and communications.

These measures are regulated by internal guidelines and procedures, which include, inter alia, the documentation each operating unit is required to have, comprising the risk assessment document, operating safety plans, emergency and evacuation plans, fire prevention and control plans and first aid plans.

The Employer and downstream (in line with the proxy system) the managers, officers and workers shall ensure that health and safety management measures are in place. Specialist teams ensure their management in each operating unit. Specific attention is given to training employees about specific duties and the operating controls over work processes, performed either directly by the Group's employees or subcontractors' staff.

Training programmes are defined at operating unit level by the health and safety manager and approved by the Employer, based on a risk assessment and the applicable legislative requirements. The training courses provided to each worker cover at least the following issues:

- the health and safety organisation (Employer, health and safety manager, health and safety officers and supervisors, company doctor and the workers' safety representative), the legislative framework and an overview of the management system;
- health and safety risks arising from the Group's activities in general and the specific risks faced by the workers;
- first aid and emergency management procedures (in particular, the fire fighting and evacuation plans).

The health and safety managers receive special information and training courses. The key topics are the legal-regulatory framework, safety management and organisation, risk identification and measurement, communication, training and discussions with workers.

The health and safety officers and supervisors undergo additional training to that provided to the workers on the definition and identification of risk factors, incidents and near misses, techniques to communicate with and raise the awareness of employees, checking that workers comply with the legal and internal rules and the use of collective and personal protection devices.

All workers, health and safety officers and supervisors and managers attend regular refresher courses. The courses for health and safety specialists meet the minimum requirements of the relevant legislation.

All the training and information activities are documented in terms of participation numbers and the content presented and materials used.

The work site workers (employees of the Group and its subcontractors) receive special training on the related risks, specific activities and the possible risks of interference (Induction, Tool Box Talk, Job Safety Analysis/Pre-Job Meetings, etc.).

In order to ensure the collaboration of all the Group's employees, they have the right to appoint safety representatives in accordance with the applicable legislation.

These representatives are given the relevant training and information about HSE issues to encourage risk mitigation measures. They are also consulted about the implementation of key mitigation measures, including as a minimum:

- the introduction of a new process or equipment or its adaption;
- the appointment of the risk assessment manager;
- injuries.

The new Health and Safety Policy issued in 2018 introduced, inter alia, the "right to intervene" for all employees when there is a doubt that health or safety could be compromised.

Employees may also use the whistleblowing system described in the section on "Anti-corruption" to make notifications about health and safety issues or they may use the other available channels at group level (e.g., reporting to their superior) or work site level (e.g., the workers' representatives, post boxes, grievance mechanisms).

The Corporate Safety, Environment and Systems Unit regularly performs specific audits of the safety measures in place at the Group's work sites and assesses application of the internal health and safety in the workplace regulations. As described in the section on Total reward, the company has a system to assess performance in terms of health and safety for its managers which rewards dedication and the results obtained by the relevant units and units over which they have influence.

After the roll out in December 2017 of the Safety Builders Program as part of the Group's more wide-reaching communication strategy, "ValYou - Our Health and Safety Way", launched to encourage a strong corporate safety culture, based on strengthening leadership abilities at all management levels, the program was implemented in both the Milan and Rome offices as well as the main work sites in Italy and abroad during the year.

Specifically, more than 35 workshops were held with the participation of over 500 managers for a total of roughly 4,500 hours of training, as well as 100 cascading events involving more than 3,500 workers.

The Company's main workplaces celebrated the World Day for Safety and Health at Work during the year. This mainly took the form of the collection of "Stories of ValYou" involving more than 300 employees in Rome and Milan offices in Italy and over 20 group work sites, which carried out programmes designed to meet the specific requirements of the operating units.

In 2018, the Red Line North Underground project in Doha (Qatar) won the RoSPA Silver Award for its strong health and safety performance in 2017, qualifying as one of the projects with the best practices in its sector. The award was given to ISG JV by the Royal Society for the Prevention of Accidents, a UK institution which distributes annual awards acknowledging organisations from around the world that stand out for their commitment to accident prevention and the protection of health in the workplace.

In 2018, the Florianopolis project in Brazil recorded 3,000,000 hours worked without injuries in the workplace (LTI), yet another milestone in the health and safety area. The Al Faisaliah Mall project in Riyadh concurrently achieved 1,000,000 hours worked without LTI, celebrated with a ceremony in the work site attended by employees of the Group and its subcontractors, rewarded by management for their commitment to the issue of safety.

The Terzo Valico Ferroviario dei Giovi project in Italy was awarded the Merit certificate in the “Safety Initiative of the Year 2018” category of the international 2018 “ITA Tunneling Awards” recognising the COVIC consortium’s (led by Salini Impregilo) protection of the health and safety of the workers and preservation of the external environment during the excavation of the “Finestra di Cravasco” tunnel using traditional methods to bore through rock containing natural asbestos.

The injury rates are set out below, expressed as the number of events for every million hours worked:

Injury rates - Group employees (GRI 403-2)	Unit	2017	2018
Hours worked	hours	102,653,961	98,894,201
Lost Time Injury Frequency Rate	LTIFR	6.20	3.49
Total Recordable Frequency rate	TRFR	15.60	8.37

Injury rates - Subcontractors’ employees (GRI 403-2)	Unit	2017	2018
Hours worked	hours	74,461,728	89,579,720
Lost Time Injury Frequency Rate	LTIFR	2.77	2.03
Total Recordable Frequency rate	TRFR	8.62	6.18

Total injury rates (GRI 403-2)	Unit	2017	2018
Hours worked	hours	177,115,689	188,473,922
Lost Time Injury Frequency Rate	LTIFR	4.75	2.80
Total Recordable Frequency rate	TRFR	12.66	7.33

Note: Reference should be made to the Methodology for reporting non-financial information for details about the calculation method.

The Company continued its commitment to cultural issues (Safety Builders Program) and technical and system aspects during the year, resulting in the ongoing improvement of its safety performance, which was confirmed by the roughly 40% decrease in the injury rate.

A local investigation takes place for each injury. When the sick leave is for a period of more than 40 days, the Corporate Safety, Environment and Systems Unit and senior management from the relevant operating department are involved in the investigation.

The objective is to identify the cause of the injury (root cause analysis) to prevent similar events occurring.

The Integrity Board is informed of the results of investigations into important injuries pursuant to the provisions of the Organisational Model (Legislative decree no. 231 as subsequently amended).

Salini Impregilo guarantees protection of its workers' health in the workplace with a special internal healthcare unit, which schedules prevention procedures, health checks and healthcare monitoring programmes. It also performs regular checks of the work sites and makes sure they are provided with the relevant information to ensure that safety conditions are in line with the applicable legislative requirements.

When adequate local healthcare units are not available, the Company sets up work site medical clinics which offer 24-hour healthcare assistance and outpatient services to direct and indirect employees as well as their family members residing in the work site accommodation. The Group ensures that the local populations are also provided with healthcare assistance for all acute or serious problems in remote areas not served by public healthcare units (reference should be made to the section "Social aspects" for more information).

Employees of the Italian head offices and their families also have private health insurance which covers healthcare services for non-work related issues. The Group runs numerous initiatives at its offices and work sites promoting the importance of good health, flu vaccine programmes, campaigns about the prevention of sexually transmitted diseases (e.g. HIV) and campaigns to promote healthy life styles, including the organisation of sporting events for workers.

As it is aware of the added value achieved through mutually beneficial relationships between all the relevant parties, Salini Impregilo works with its commercial and financial partners and its vetted vendors to guarantee high health and safety standards and the protection of the environment. In line with the role it takes on during contracts, the Company promotes and/or ensures a Safety in Design approach so that the decisions taken right from the design stage are designed to eliminate/mitigate health and safety risks throughout the contract's life cycle.

Human rights

Internal policies

Salini Impregilo is committed to ensuring respect for the rights enshrined in the International Charter of Human Rights and the fundamental conventions of the International Labour Organisation in line with the principles established in its Code of Ethics and Sustainability Policy.

The Company protects the integrity of its employees, ensuring work conditions that respect the dignity of individuals, safeguarding workers from physical or psychological violence or mobbing and opposing any discriminatory or damaging behaviour to an individual, their convictions and inclinations.

Salini Impregilo does not accept any form of illegal, child labour or forced or compulsory labour.

It offers, without discrimination, equal opportunities based on the individual's professional qualifications and performance capacity. It recognises and values the diversity of its employees as an essential element for its growth. It adopts appropriate measures to avoid favouritism, nepotism or patronage during the recruitment process and throughout the employment relationship.

Salini Impregilo respects its employees' right to freedom of association and collective bargaining in accordance with the legislation applicable in the countries where they work. It does not discriminate against employees who join trade unions nor workers' representatives.

The Company also respects the rights and culture of the communities affected by its work and ensures an ongoing open dialogue with them.

The Company ranked fifth in the overall classification, which included over 2,300 companies from around the world, and first of the construction companies in the OpenCorporation 2018 sustainability rating, which is a ranking prepared by trade unions considering various indicators such as social dialogue and employment conditions. Salini Impregilo not only bettered its placing considerably in the overall classification but also improved in terms of the points awarded for each indicator.

Main risks and management methods

As part of its measures and practices to protect human rights, in 2014, the Company signed a framework agreement with the national trade unions (Feneal-UIL, Filca-CISL and Fillea-CGIL) and the international trade union for the construction sector (BWI - Building and Wood Workers' International) to jointly affirm and encourage respect for compliance with the basic principles and rights in employment relationships, encourage social justice and sustainable development by both itself and the consortia of which it is a member and vis-à-vis its contractors, subcontractors and suppliers.

The framework agreement covers child labour, forced or compulsory labour, the freedom of association and collective bargaining, non-discrimination, work hours, economic treatment, work conditions, specialised training, the environment, welfare and employment relationships. The Company agreed to authorise access

to its work sites by trade union representatives after local agreement with the project and to adopt the most efficient process should a BWI member request a trade union be recognised. The agreement also provides for monitoring and assessment tools to be used by the Company and the trade unions, which meet at least once a year to discuss them.

With respect to child labour, the potential risk of hiring people under the minimum working age established by the applicable local regulations is minimal. However, there is a higher probability that workers who are above the legal minimum but are less than 18 years old may be hired, especially in countries where false identity documents are widespread. In order to mitigate this risk and irrespective of the local regulations, the Group only agrees employment contracts with people who are 18 years old. In African countries, where the presence of false identity documents is rife, the Group has special procedures in place to check the authenticity of the documents, especially driving licences, assisted by the local authorities.

The main risks with respect to forced or compulsory labour are tied to the hiring of migrant workers, mainly in the certain states of the Persian Gulf (Saudi Arabia, Qatar and the United Arab Emirates) where the local labour force is insufficient and/or inadequate for the Group's needs. Specifically, there are two risk factors:

- use of recruitment agencies that oblige the workers to pay recruitment fees (when hired), employment fees (throughout their employment) and cash deposits which are forms of debt (debt bondage);
- labour conditions that limit the migrant workers' freedom of movement which are allowed or facilitated by local regulations, such as the ban on leaving their accommodation outside work hours, limitations on holiday arrangements, resignations and changes of employer.

The Group ensures that candidates in these countries are provided with exhaustive information about the contractual terms and work conditions in their own language before they leave their country of origin. In addition, the Group fully bears the costs of recruitment, travel, visa, medical visits, etc.. Migrant workers are guaranteed the possibility to change jobs and to leave their destination country. No workers are deprived of their identity documents unless this has been authorised by them and solely for their safekeeping. The Group requires the recruitment agencies to comply with these principles through specific contractual clauses and non-compliance entails termination of the contracts. It checks that the principles are complied with by providing the migrant workers with a questionnaire when they arrive in their country of destination.

With respect to the freedom of association and collective bargaining, the Group ensures its employees have access to "alternative systems" for dialogue in the states of the Persian Gulf (Saudi Arabia, Qatar and the United Arab Emirates) where the right to the freedom of association is restricted by law. These systems include worker committees, committees set up in the camps and complaint management procedures (grievance mechanisms). The Company ensures open communications with the workers and management's availability to discuss any issues that may arise with individual employees. The workers may also avail of the whistleblowing system described in the section on "Anti-corruption" to communicate issues related to their work and human rights.

The Group enters into employment contracts with its employees that comply with the applicable local regulations, the principles of the framework agreement signed with BWI and those in any agreements signed with the local trade unions with respect to work conditions, work hours, economic treatment and employment relationships. The Group's intention is to ensure scrupulous compliance with the applicable regulations in each country to mitigate the risk of non-compliance.

Where possible, the Group provides its workers with conditions that are better than the standards envisaged by local regulations. In addition to the welfare plan (see the section on "Employees - Total reward") and to improve the quality of life of the employees at the Rome and Milan offices, the Group offers special discounts for services like crèches, assistance with school fees, access to sporting facilities, delivery services (delivery of drugs to the office, laundry services), discounts on train tickets and a free company bus service.

As part of the integration process of the Rome and Milan offices, commenced in September 2015 and still ongoing, the Company extended the voluntary redundancy procedure introduced in previous years until 31 July 2019, with the relevant trade unions' agreement.

Salini Impregilo signed an agreement with the trade unions for those employees who are near the legal retirement age leading to 17 employees qualifying for the "isopensioni" early retirement scheme. It also reached an agreement with the trade union representatives of the Rome and Milan offices for the early retirement of those employees who meet the legal requirements for retirement between July 1st, 2018 and June 30th, 2019.

The Company has not received any reports, either directly or through the trade unions, alleging grounded violations of minimum working conditions during the year.

The Group may potentially be exposed to the risk that discrimination against an individual employee or specific categories of employees may take place in the workplace. In this respect, the Company's HR management procedures do not allow the different treatment of employees based on their gender, origin, religion, age, political beliefs, sexual orientation, disability or other characteristics protected by the regulations ruling in the countries where the Group operates during the entire HR management procedure (recruitment, training, assessments and termination of employment). Specifically, the Company is committed through the framework agreement with BWI to guaranteeing its employees equal remuneration for the same positions and equal conditions for migrant workers and employees on secondment compared to the local workforce. Its employees may use the tools described previously to notify any violations of these principles.

The Group's work sites have employees from more than 100 countries. The following table shows a breakdown of its employees useful to highlight further diversity aspects:

Employees by age (GRI 405-1)	Unit	2017	2018
< 30 years	%	28%	27%
30-50 years	%	57%	59%
> 50 years	%	15%	14%

Employees by gender (GRI 405-1)	Unit	2017	2018
Men	%	91%	91%
Women	%	9%	9%

The women's employment rate is affected by the construction sector's characteristics, as it is traditionally a male domain. At group level, women make up 8% of the management team, 18% of white collars and 6% of the blue collars, while at functional level, they represent 4% of the technical and production staff and 30% of the office employees. The presence of female employees is higher at the central Milan and Rome offices, where they make up 36% of the total workforce (+1% on 2017). The average remuneration received by women compared to that received by men in 2018 was 71% for the managers and 86% for the office female employees. This percentage is affected by the fact that the male employees have greater seniority to the female employees.

The section "Employees - Recruitment, Employer Branding and Development" provides information about diversity projects developed by the head office.

The issue of diversity is subject to strict regulations in some areas like the Anglo-Saxon and Northern European countries. Accordingly, the group operating units active in these areas have specific management policies. For example, Lane has a management programme that complies with US regulations with a special unit set up at its head office and adoption of two specific policies, one on equal opportunities and one on harassment in the workplace. They require management, supervisors and all workers at the work sites, plants and offices to comply with strict requirements.

The Group also has an action plan including information activities and training, the involvement of organisations representing women and minorities for vacant positions, as well as the involvement of subcontractors that have to contractually commit to developing their own action plans to encourage equal opportunities.

In addition, the Group has a procedure to monitor the workforce at its facilities, to check progress and achievement of diversity targets, and a system allowing everyone (candidates, employees and subcontractors) to notify cases of non-compliance with policies. The system has an inspection plan of visits performed by a central unit to the facilities to check the degree of compliance and achievement of the goals set in the annual plan.

The main risks to which the Company is exposed arise from the potential violation of the above-mentioned human rights by subcontractors and suppliers. The Company mitigates these risks through special contractual clauses. It asks its suppliers and subcontractors to accept the principles in its Code of Ethics and to commit to working in a loyal and transparent manner with the Group to monitor and check the correct application of the code.

With respect to security, the Company has a comprehensive security management system to:

- identify and monitor security risks, using a specific methodology;
- deploy appropriate physical, organisational and technological measures such to prevent, manage and mitigate important security risks, especially as regards the prevention of accidents, any illegitimate or violent interference with the life and integrity of employees, third parties, tangible and intangible assets and operations;
- manage security events and incidents to provide a complete and systematic approach and establish best practices and lessons learnt with a view to ongoing improvement;
- foster an internal security culture through training and awareness campaigns;
- protect the Company's values and assets by correctly identifying security requirements.

The Corporate Security Department performs specific assessments of security risks, coordinates the local security units, defines internal standards and guidelines, prepares reports on significant events and carries out regular audits of the operating units.

When local requirements require specific monitoring, the work site is given a security unit that develops tailored action plans and hires the personnel needed to ensure the safety of the Company's employees and assets, as well as the continuity of operations and information. Specifically, security personnel may be employees or personnel provided by third parties, who are usually unarmed or by personnel supplied by the army or local police departments through specific contracts, formal agreements or service orders.

The security personnel at the operating units receive initial training and periodic refresher courses from the local managers based on training programmes that reflect the applicable standards and regulations and include information on respect for the individual and the Code of Ethics. When group employees or personnel of private companies are used, the related contract includes service clauses for specific training about respect for human rights and the Code of Ethics. They are provided with appropriate training about their tasks. The training of personnel supplied by public safety forces complies with local regulations and standards and is mainly provided by the relevant bodies.

Depending on the nature of the project, the security unit and local management define the best way of involving the local stakeholders, mostly through formal meetings, informal meetings and discussions, training and official events.

No significant issues related to security management were raised by the stakeholders in 2018.

The Corporate Social Responsibility Department provides specialist assistance with human rights issues at centralised level. As required by the UN's Guiding Principles on Business and Human Rights, the Company mapped the impacts on human rights that could potentially derive from its activities in 2016 and performed a risk assessment of the group employees' human rights in 2017. During 2018, it analysed the supply chain and focused on reviewing the tools used at corporate level for the screening of new suppliers as part of the qualification process. This analysis will be continued in 2019.

In January 2019, the non-governmental organisation Business and Human Rights Resource Centre published a report "On Shaky Ground: Migrant Workers' Rights in Qatar and UAE Construction" on the workers' rights protection practices adopted by construction companies working in the states of the Persian Gulf. Two years after the issue of the first report, Salini Impregilo was again one of the leaders with respect

to employee management thanks to its specific policies and procedures that effectively protect the rights and wellbeing of migrant workers.

Environment

Internal policies

Protection of the environment is a priority for the Group which formalised a specific Environmental Policy in 2002, one of the first European construction companies to do so. In 2007, it introduced an Environmental Management System which is ISO 14001 certified. During 2017, the certification was upgraded to the 2015 version, which puts greater emphasis on the life cycle perspective, the sustainable supply chain and environmental performance.

In 2018, Salini Impregilo updated its Environmental Policy by defining ten principles to guarantee:

- compliance with applicable legal requirements and any other agreed-to requirements;
- identification and assessment of environmental aspects tied to the Company's direct and indirect, present and future operations, evaluation of the related significant effects and management of the mitigation and control measures;
- identification of all the technical and organisational measures designed for the rational use of natural resources (e.g., raw materials, energy and water) and the mitigation of pollution, greenhouse gas (GHG) emissions, waste generation and inconvenience to the local communities as well as the maximisation of the positive effects for the environment;
- involvement and participation of all employees or people who work for the Company through actions to make them aware of the issue, the dissemination of information and training courses, dialogue and transparency in action.

During the realisation of awarded projects, the Group ensures compliance with the above-mentioned principles in accordance with the commitments taken on with its clients. More information about Salini Impregilo's role and responsibilities during the infrastructure project development stage is available in the section entitled "The infrastructure sector and Salini Impregilo's role".

Main risks and management methods

The main environmental risks arising from the Company's activities relate to non-compliance with applicable environmental legislation, compromising one or more environmental components (e.g., the soil, water or air) due to a mistaken assessment of the risk or ineffective management/mitigation activities, inefficient use of natural resources and the failure to obtain/maintain environmental certifications and ratings.

The main environmental risks facing the Company (generated by external factors) arise from changes in the applicable environmental legislation, the inconsistent interpretation of applicable legislation by the competent local authorities, incomplete and/or insufficient environmental impact assessments for projects (which should

be performed by the client) or adverse environmental or geological conditions (e.g., extreme weather events, actual conditions differing from those anticipated during the tender procedure).

To monitor these risks, Salini Impregilo has an environmental management system, which complies with the ISO 14001 standard and has been certified by an independent certification body.

To ensure that the significant environmental impacts are properly identified, managed and mitigated, the system incorporates a number of environmental management procedures that have to be implemented by the Group's production companies, after being revised to comply with the applicable regulations or contracts.

When contractually provided for, the Group's contracts may include additional environmental management standards that require special certifications or ratings. They may be:

- system standards, which involve reaching specific environmental performance targets during construction activities (e.g., lower emissions, waste recycling);
- product standards, which require the completed works to meet specific environmental performance targets (e.g., use of low impact construction materials, energy-efficient buildings).

In 2018, projects affected by these standards accounted for 26% (2017: 17%) of the total and the more important ones included the Red line North Underground in Doha and the Al Bayt Stadium in Qatar which use the GSAS (Global Sustainability Assessment System), two stations of Line 3 of the Riyadh metro in Saudi Arabia and Eni's new offices in Italy which use the LEED (Leadership in Energy and Environmental Design) standard, the Maydan One Mall, Dubai project which uses the Green Buildings Regulations and Specification standard and the Forrestfield-Airport Link in Perth, Australia which uses the IS (Infrastructure Sustainability) system.

During the year, Salini Impregilo was awarded a GSAS A* rating for excellence in terms of the environmental sustainability of the Al Bayt project during its construction stage, the Forrestfield-Airport Link in Perth received the IS Excellent Design rating for its sustainable and innovative design, the Sydney Northwest metro in Australia and the Anacostia River Tunnel in Washington, USA were awarded the Global Best Project Award (railway sector) and an Award of Merit (water sector) by ENR (Engineering News-Record) respectively, Line 3 of the Riyadh metro in Saudi Arabia received seven Environmental Awards for the best environmental results of all the metro lines under construction in the city for seven months out of 12 while the COCIV consortium, which is building the Terzo Valico Ferroviario dei Giovi project in Italy, obtained ISO 14001 certification.

During the start-up of a new contract and based on the planned work, an environmental risk assessment is performed to identify significant environmental aspects, i.e., those aspects that could have a significant impact on the environment. Their identification and assessment of the significance of their impact as well as the subsequent definition of impact management and mitigation measures take place in line with specific procedures.

The significance of environmental impacts is assessed using a method based on an analysis of specific critical factors, such as the existence of special regulatory or contractual requirements, assessment of the related risk, management of the impact and the area's sensitivity to the specific environmental aspect.

The assessment considers various scenarios: standard operating conditions, irregular conditions (e.g., plant start-up), emergencies (e.g., fire, spills). Once the significant environmental aspects have been identified, the main effects of the contract work and other activities on the different environmental components are analysed:

- natural and energy resources;
- atmosphere and climate (emissions);
- soil, subsoil and water environment;
- waste and use of hazardous substances/preparations;
- traffic, atmospheric, light and electromagnetic pollution;
- noise and vibrations;
- ecosystem, cultural heritage and environmental restoration.

After the environmental risk assessment, analysis of the contractual obligations and related environmental regulations, the following is prepared for each contract:

- environmental plans/procedures setting out guidelines for the management/protection of each specific environmental component;
- environmental monitoring plans defining the specific management and monitoring activities for the environmental components identified;
- specific instructions for the different method statements applied.

In addition and to comply with the client's instructions, the project's social-environmental impact assessment and ruling legislation, the contract undergoes environmental monitoring to check any unforeseen variations and/or critical environmental issues affecting the areas outside the work site during the development or roll out of the work. This includes investigating the causes to determine whether they are due to the project and, if so, to define mitigation/prevention measures with the client and check their effectiveness.

To ensure the correct implementation of the environmental plans, the work sites plan and provide for information/training to be given to all the employees involved in contracts with potential impacts on the environment, including the subcontractors' employees. It regularly runs campaigns to raise employees' awareness of specific issues (e.g., energy savings, waste, spills, use of hazardous substances/preparations, etc.).

The work site environmental departments carry out the monitoring/supervision procedures provided for in the environmental plan with regular checks and audits of the activities performed directly and indirectly by subcontractors. If any instances of non-compliance are identified, special remedial actions are defined as well as plans to improve the processes and/or performance.

Contract management regularly reviews environmental performances and the management system's strengths and weaknesses. It sets objectives for the subsequent period to ensure consistently better performances.

The HR, Organisation and Systems department defines methodologies, tools and operating methods to manage quality, health, safety and environmental issues. Its Corporate Safety, Environment and Systems Unit is in charge of the environmental management system. It provides technical assistance about

environmental matters, analyses the Group's environmental performance and defines the objectives/guidelines to pursue steadily improved performances.

Communications about environmental aspects are made on a hierarchical basis within the Company through the QHSE coordinators (who liaise with the Corporate and contract managers), the QHSE community (comprising all the QHSE professionals in the Group), the company intranet, the website and this Statement. Other internal communication channels (e.g., employees, subcontractors) and external channels (e.g., local communities) are set up at individual production unit level in line with the ruling legislation, contractual requirements and any recommendations in the social and environmental impact assessments approved by the authorities.

Employees may use the whistleblowing system described in the section on "Anti-corruption" for environmental notifications. In addition, some work sites have additional notification systems (grievance mechanisms), which can also be used by third parties (e.g., local communities). Typical communications received locally relate to inconveniences caused by the work site equipment (traffic, dust) and construction activities (noise, vibrations) or damage to private property.

Reference should be made to the section on "Main risk factors and uncertainties - Litigation - Environmental disputes" of the Directors' report for ongoing environment-related disputes.

The methods to manage the main environmental components are described below. The environmental data are heavily affected by the number and type of works under construction, the client's design decisions and the stage of completion of the individual projects. Accordingly, a comparison with previous periods may not always be significant.

Natural resources, energy and GHG emissions

Construction of motorways, bridges, dams and railway lines requires the use of large quantities of water, aggregates, iron, cement and backfill: all raw materials which are mostly not renewable.

The environmental assessments made at the start of a new contract consider these aspects and the related mitigation measures are designed to ensure the efficient management of these resources and, when possible, the use of alternative materials without reducing the quality, performance, security and functioning of the asset. The main raw materials used are shown in the following table:

Materials used (GRI 301-1)	Unit	2017	2018
Aggregates	t	23,018,778	15,399,193
Bitumen	t	245,468	257,541
Cement	t	558,395	662,052
Concrete-reinforcing bars	t	506,843	1,065,914
Ready-mixed and pre-cast concrete	t	5,500,060	4,608,609
Ready-mixed asphalt	t	1,083,235	790,547
Total non-renewable materials	t	30,912,780	22,783,854

Water use (GRI 303-1)	Unit	2017	2018
Wells	m ³	2,399,423	2,880,660
Rivers	m ³	10,640,606	6,793,150
Lakes	m ³	383,197	291,623
Sea	m ³	5,014	-
Aqueducts	m ³	2,864,234	2,259,390
Rainwater and wastewater from other organisations	m ³	18,762	116,795
Total	m³	16,311,237	12,341,619

The main variations on the previous year are a direct consequence of the stage of completion of the Group's projects. Specifically, the reduction in aggregates is due to the advanced stage of completion of the Gerd project in Ethiopia and the Ruta del Sol project in Colombia (more information is available in the Directors' report). The increase in the utilisation of concrete-reinforcing bars reflects their greater use by Lane (USA) for its projects, the reduction in concrete is due to completion of the construction stages of the Riyadh metro (Saudi Arabia) and the Red Line North (Qatar), while the reduction in asphalt is a result of progress made on Lane's projects (USA) and the Ruta del Sol project (Colombia). The decrease in withdrawals from rivers is mainly a result of the advanced stage of completion of the Gerd project in Ethiopia.

Where possible, the Group has adopted policies in line with the circular and green economy principles to re-use waste materials as part of the same project or use systems that allow the re-use of wastewater for other specific activities such as, for example, washing vehicles and dust suppression. In 2018, the Group used recycled asphalt (1.2 million tonnes; 2017: 1.3 million tonnes), fly ash (22.5 thousand tonnes; 2017: 110.5 thousand tonnes) and water recycled and re-used in production processes (4.0 million cubic metres; 2017: 3.3 million cubic metres).

Energy consumption, both in the form of fossil fuels and electric energy, has a strong impact during construction of infrastructure. Reduction of energy consumption allows a decrease in GHG emissions and mitigation of the effects of climate change.

In line with the Paris Climate Agreement objectives and SDG 7 and SDG 13, Salini Impregilo is improving its energy efficiency to reduce its environmental footprint.

The Group's main energy rationalisation systems include the use of highly efficient vehicles and equipment, connecting its building site plants to electricity networks rather than diesel generators, carrying out regular maintenance programmes for its vehicles, improving power quality and informing its employees about the importance of energy saving. The following tables show energy consumption and the related GHG emissions:

Energy consumption (GRI 302-1, 302-2, 302-3)	Unit	2017	2018
<i>Non-renewable energy sources</i>			
Diesel	GJ	5,959,115	5,455,604
Petrol	GJ	646,560	348,456
Kerosene	GJ	42,945	10,405
Natural gas and LPG	GJ	2,033,091	1,200,705
Electricity	GJ	375,059	393,766
Total consumption from non-renewable energy sources	GJ	9,056,769	7,408,937
<i>Renewable energy sources</i>			
Electricity from renewable sources	GJ	254,958	200,415
Total internal energy consumption	GJ	9,311,728	7,609,352
Energy consumption - subcontractors	GJ	1,964,079	1,667,939
Total	GJ	11,275,807	9,277,292
Energy intensity	GJ/€m	2,028	1,785

Direct and indirect GHG emissions (GRI 305-1, 305-2, 305-3, 305-4)	Unit	2017	2018
Direct emissions (Scope 1)	tCO _{2e}	566,952	467,234
Indirect emissions (Scope 2)	tCO _{2e}	43,388	54,637
Other indirect emissions (Scope 3)	tCO _{2e}	137,577	117,528
Total	t CO_{2e}	747,917	639,399
Intensity of GHG emissions	t CO_{2e}/€ M	134	123

The smaller consumption of petrol, natural gas and LPG in 2018 is due to the advanced stage of completion of the projects of Lane (USA), the reduction in the consumption of kerosene mostly relates to the Ruta del Sol project in Colombia, while the reduction in diesel consumption comes mainly from the Red Line North (Qatar) and the aforementioned Ruta del Sol projects. The increase in traditional electrical energy consumption, and related Scope 2 GHG emissions, mostly refers to the Riyadh metro project (Saudi Arabia).

In addition to consumption and direct emissions, the Group is also committed to decreasing where possible the indirect emissions of its related activities, such as transportation and travel of its employees. When the goods are not available on the local market, the Group prefers to ship materials and machinery by sea as this is the means of transport with the lowest carbon footprint.

Over the last few years, the Group has equipped its offices and work sites with video conference systems which have reduced the number of business trips to those essential for operating reasons. Its travel policy favours travelling by train rather than by plane and the use of public transport rather than taxis.

When possible, contracts have personnel mobility management programmes designed to optimise transfers between work areas, the canteens and employee accommodation. They include the use of collective transport methods (buses) for blue collars and car-pooling for white collars at the work site offices.

Soil, subsoil and water environment

The Group's construction activities may affect the soil and water environment at different levels depending on the works in question and the surrounding environment (e.g., urban or rural environment).

Contracts are managed to avoid damaging these environmental components. Specifically, containment tanks, wastewater conveying networks and waterproofing systems for risky logistic areas (e.g., workshops, fuel and chemical depots) are built during the work site start-up phase to prevent contamination of the soil, subsoil and surrounding water bodies.

Industrial wastewater is channelled and collected in sedimentation tanks and treatment plants designed to comply with the applicable legal and contractual provisions, using the best technologies available, given the wastewater's specific characteristics.

Construction work also involves movement of large earth quantities to construct embankments, cuttings, tunnels or certain types of dams. In accordance with the policy to reduce waste production, the excavated earth and rocks are classified and stored on the sites for possible re-use within them, where possible and in compliance with the regulations, or transferred to third parties to be re-used externally. In 2018, re-used excavated materials amounted to 18.1 million cubic metres (2017: 21.3 million cubic metres).

In order to mitigate the risk of soil erosion due to excavations and aggravated by weather events (rain, wind), the Group takes specific soil protection measures consisting of systems to consolidate excavation fronts and to channel rainwater, as well as covering more exposed areas (e.g., escarpments) and planting trees that mitigate erosion. The mitigation measures are defined considering the natural elements, the environment and features of the local area. In 2018, areas where measures to protect against erosion have been implemented covered 6.5 million square meters (2017: 10.9 million square metres).

Waste

Waste generated during construction of large-scale infrastructure can be grouped into two separate categories: urban or similar waste and special waste. Urban or similar waste is generated by logistics sites where the support activities for the industrial production are carried out such as offices, accommodation for non-resident workers and canteens. Special waste is generated by the actual industrial activities, such as construction, plant operation and the workshops.

Waste materials are collected and sorted, and stored in specific enclosed areas, from which they are then taken to be reused or to be sold to third parties authorised to recycle/dispose of the waste, preferring recovery where possible.

Hazardous waste is a marginal part of the waste generated in the Group's contracts. Normally it involves paint, additives and solvents, used oil and oil filters from vehicle maintenance, batteries, rechargeable batteries and, in some cases, earth, sludge and other materials containing hazardous substances.

Waste produced by activity, type and destination is shown in the following table:

Total waste by activity (GRI 306-2)	Unit	2017	2018
Construction and demolition waste	t	593,188	517,732
Excavation waste	t	7,004,018	6,345,575
Waste from support activities	t	172,499	97,558
Total non-hazardous and hazardous waste	t	7,769,705	6,960,865

Total waste by type and destination (GRI 306-2)	Unit	2017	2018
<i>Non-hazardous waste</i>			
Recovery, re-use and recycling	t	2,565,843	3,712,507
Incineration	t	4,275	3,398
Landfill	t	5,188,936	3,230,657
Total non-hazardous waste	t	7,759,054	6,946,563
<i>Hazardous waste</i>			
Recovery, re-use and recycling	t	4,057	5,283
Incineration	t	679	324
Landfill	t	5,914	8,695
Total hazardous waste	t	10,650	14,302
Total non-hazardous and hazardous waste	t	7,769,705	6,960,865

91% of the waste produced is from excavations, which varies depending on the projects' characteristics which the Group cannot influence as they are decided by the client and the applicable regulations

The decrease in total waste in 2018 is mainly due to the substantial completion of the excavation activities for the Riyadh metro in Saudi Arabia and completion of the North West Rail Link in Australia.

The percentage of waste recovered, re-used and recycled increased by 45% on 2017.

Atmosphere

Unlike other industrial sectors, the construction sector does not generate significant atmospheric pollution. The main sources of atmospheric emissions are linked to dust created by the construction activities: excavations, earthwork, movement of heavy vehicles on unpaved roads, crushing excavated stone and demolition.

Other sources of air pollution are the unloading of site equipment and plant. Information about the Group's energy efficiency projects is provided in the paragraph "Natural resources, energy and GHG emissions" of this section.

The methods adopted by the Group to mitigate these impacts are described below:

- regular dampening of unpaved roads accessing work sites, aggregates wetting systems at the crushing plants, the use of filters on the cement storage silos and asphalt production plants, covering lorries transporting powdery materials and tyre washing systems at site entrance points;
- regular maintenance schedules for site plant and vehicles, ongoing replacement of the fleet with more efficient models.

Noise and vibrations

The aspects relating to noise and vibration are of double significance for the Group: internally, in terms of the health of workers, and externally, in terms of impacts on the environment and local communities.

The Group's QHSE management system includes specific procedures to assess and monitor these aspects, so that each site can adopt the most appropriate measures to ensure protection of the health and safety of workers (use of personal protection equipment, soundproofing, etc.) and of the surrounding environment.

With regard to the effects on the environment surrounding the sites, the areas most affected by noise interference are protected by noise barriers, which can be artificial dunes made of backfill material, support structures and absorption panels made of various materials. The noise barriers can also be one or more rows of trees or shrubs which both absorb the noise and reduce the visual impact.

Vibration is also a feature of work on civil engineering sites. The effects of pressure waves that propagate in the soil can cause damage to buildings or other structures located in the vicinity of the works. During the works, periodic monitoring of both noise and vibration is carried out.

Biodiversity, cultural heritage and environmental restorations

The performance of infrastructure projects requires the implementation of special protection measures when the sites are adjacent to or within sites of special natural, cultural or archaeological interest, so that construction activities interfere as little as possible with the existing ecosystem and heritage.

The protection measures, which are implemented in accordance with the local authorities' provisions, are designed to protect and preserve the ecosystem, flora and fauna, biodiversity and cultural heritage of the areas around the sites. With respect to the biodiversity issue, only 5% (2017: 6%) of the areas managed by the Group was located in protected areas and 2% (2017: 8%) in areas adjacent to protected areas in 2018.

Contracts performed in areas of special natural or cultural interest require specific procedures to manage the protected species (flora and fauna) and/or areas and any archaeological finds. The Group is assisted by independent experts and involves the local authorities.

Once construction has been completed, the areas affected by the work, access roads, plants, installations, quarries and deposits are cleaned up to return the areas to their original conditions in line with the contractual terms and current regulations. These restoration activities facilitate natural revegetation, prevent soil erosion and improve soil stability.

Any land reclamation activities, if provided for in the contract and necessary due to previous contamination, are agreed with the clients and performed in line with the competent authorities' instructions.

Environmental restoration activities may include reforestation and indigenous species are usually used. The main restoration activities performed by the Group are shown below:

Protection and restoration activities (GRI 304-3)	Unit	2017	2018
Reforested area	m ²	293,281	391,144
Areas where the topsoil was replaced	m ²	3,304,357	3,674,094

In 2018, the Group carried out reforestation activities mainly for the Koysa (Ethiopia), Cityringen (Denmark) and Anacostia River Tunnel (USA) projects, planting 9,306 trees. Topsoil was replaced chiefly at projects managed by Lane (USA).

Anti-corruption

Internal policies

Salini Impregilo has a zero tolerance policy for all types of corruption and is committed to complying with the anti-corruption laws ruling in all the countries where it operates. It requires all its stakeholders to act with honesty and integrity at all times. The Company never accepts behaviour designed to improperly influence the decisions taken by representatives of public or private bodies.

The Company is committed to adopting preventive protocols to minimise the risk of corruption and to ensure compliance with the principles introduced by anti-corruption laws and international best practices.

These principles are enshrined in its Code of Ethics and reiterated in its Anti-corruption Policy, adopted voluntarily and in compliance with international best practices.

Main risks and management methods

Salini Impregilo has an Anti-corruption Compliance System which meets the ISO 37001 requirements and is certified by an independent certification body. In addition to its Anti-corruption Policy described earlier, the system has the following additional elements:

- preparation, updating and application of the Anti-corruption Model approved by the Board of Directors on 16 June 2014 and updated on 28 September 2018;
- issue of Guidelines and internal procedures and integration of existing ones to define the roles and responsibilities of the parties involved and the operating methods for the processes and controls defined in the above documents.

As part of its zero tolerance policy, the Company seeks to align its strategy with the Anti-corruption System, instilling a compliance culture and mitigating the potential risks of non-compliance.

The Compliance Unit monitors the Anti-corruption System. It draws up an annual Compliance Plan, which sets out the Company's goals to ensure achievement of the general objectives and ISO 37001 recertification. The Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control System all check the Compliance Plan as does the Integrity Board for the aspects related to Legislative decree no. 231/2001.

The Anti-corruption System is designed to cover the risks to which the Company could be exposed. With respect to active corruption, the main risks identified relate to interaction with representatives of the Public administration as part of specific activities, such as, for example, those to comply with defined obligations vis-à-vis the public administration or the obtaining of authorisations from it (licences and permits, payment authorisations from works management or approval of design extensions/variations). Other risks may arise from participation in calls to tender by public bodies, inspections and/or checks or disputes.

With respect to active corruption in the private sector, this risk is less material and mostly relates to the Group's participation in tenders called by private bodies or management of partnerships.

The main risks facing the Company arise from procurement and subcontracting activities. During the assignment stage, potential suppliers/subcontractors could attempt to corrupt a company employee to obtain the contract (passive corruption). In addition, once the contract has been signed, the suppliers/subcontractors could act unlawfully to obtain approval and, hence, payment for activities they did not actually perform or the non-reporting of non-compliance of their services.

The Compliance Unit performs an anti-corruption risk assessment by specific process for the Company as part of the risk assessments necessary to regularly update the 231 model. The assessment is performed for the other group companies (subsidiaries, consortia, joint ventures, etc.) using a scope defined on the basis of the CPI (corruption perception index) assigned to the country where the Group's companies operate and how long their compliance system has been in place. Roughly 85% of the legal entities making up Salini Impregilo Group were included in the Anti-corruption risk assessment scope in 2018.

The procedures specifically designed to monitor the above risks include the Guidelines for the Assessment of Relevant Third Parties, which define valuation procedures applicable to potential counterparties before a contract is signed. In addition, with respect to gifts given to third parties, the Company revised its procedures in 2018 to decrease the price limits and reinforce the authorisation process in place for sponsorships and donations to monitor these activities and ensure their compliance with the Code of Ethics.

Contracts agreed by the Company with Third Parties must include specific measures to ensure their compliance with Anti-corruption laws, the Company's Code of Ethics and Anti-corruption Model.

Salini Impregilo also has a whistleblowing system that can be accessed through an external web portal. This allows employees to make anonymous or confidential (at their own discretion) notifications about potential violations while being protected against any form of reprisal, discrimination or unfair treatment. The Anti-corruption Model provides that employees are obliged to report any violations of the Model and/or internal or external regulations, the ethical principles and all anti-corruption laws by the Company, a colleague, a consultant or third party. As of 2018, third parties (e.g., suppliers, subcontractors) can also use the whistleblowing system. Alternatively, notifications can be made by post or email.

Violations of the Anti-corruption Model's principles and measures are a serious breach of their contracts by employees and consultants. Salini Impregilo takes all the steps provided for by the existing laws and contracts in the case of these violations, including conservative disciplinary measures, dismissal, termination of the contractual relationship, claims for compensation, etc..

In 2018, the Company received two notifications of potential violations of its anti-corruption procedures. In both cases, it commenced an internal investigation to check the circumstances referred to in the notifications and found that the alleged events did not involve company employees in either case and were not violations of its Anti-corruption Model.

The Company requires that all new employees receive the mandatory Anti-corruption training as part of a wider programme about Compliance. It also revised a platform used for Anti-corruption training for contracts where Salini Impregilo manages the operations and this has been used for the employees of Civil Work Group Joint Venture (Saudi Arabia). During 2019, use of the platform will be extended to the Group's other contracts.

The Compliance Unit also prepares internal reports for the Board of Directors (every six months), which it addresses to the Control and Risk Committee, as well as ad hoc communications and reports to management, either together with or through the Internal Audit and Compliance Manager, on any critical issues it identifies during its work.

Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for ongoing disputes about corruption.

Supply chain

Internal policies

Each year, Salini Impregilo works with thousands of suppliers both for its contracts and internal requirements. As defined in its Code of Ethics, its conduct is hinged on principles of correctness and transparency, and it is committed to not exploiting any conditions of dependence or weakness of its suppliers.

The Company selects its suppliers using proper and transparent standards and selection criteria which involve checking their quality, technical/professional qualifications, compliance with standards about human rights, labour regulations, including equal opportunities, health, safety and the environment as well as prices.

Suppliers are required to formally accept the Code of Ethics and the Anti-corruption Model, which are integral parts of the contract. Salini Impregilo encourages its suppliers to apply the same criteria when selecting their subcontractors in order to encourage and promote compliance with its principles along the entire supply chain.

The Company is committed to protecting the confidentiality of the corporate information and professional know-how and asks its counterparties to apply the same standards.

When Salini Impregilo manages contracts directly or as the project leader, or there are specific agreements in place, the suppliers are required, to the extent of their involvement, to comply with/adopt the Company's quality, environment, health and safety management systems.

Main risks and management methods

In 2018, the Group worked with around 20 thousand suppliers from 70 countries. The main supply categories related to subcontracts, materials, machinery and equipment and services.

An inadequate functioning of the qualification process and/or assessment of the suppliers' performance or the possible abuse of a strong position vis-à-vis smaller suppliers could possibly expose the Group to various risks as part of its procurement process, such as compliance, reputation and commercial.

The main risks arising from external factors include potential risks of non-compliance related to regulation updates that make it necessary to adopt new measures with suppliers, commercial and reputation risks due to possible issues with suppliers (e.g., inadequate performance in technical, qualitative, safety, environmental areas, etc.) after the contract has been signed.

The Company has established a number of procedures to manage the procurement of goods and services and monitor these risks. They include definition of the roles, responsibilities and checks to be performed to ensure that the operating activities are performed in accordance with the applicable laws and regulations, the Company's Code of Ethics, the 231 Model and the Anti-corruption Model.

The supplier qualification procedure is an important part of the procurement process. Its aim is to assess whether the potential supplier meets the Company's criteria so that it can be included in the Vendor List. This

qualification procedure also ensures that the Group's requirements are met for all goods categories and in all relevant geographical areas.

The Procurement Department manages the supplier qualification process, which involves a number of preliminary checks of the potential supplier's reputation, its expertise and that it is not already included in the Reference Lists.

Potential suppliers are required to fill in a questionnaire on areas such as: business and production category, organisation and shareholder structure, financial reporting, registration and certifications, quality, the environment and safety, social responsibility (including human rights), specific information about their goods categories (when available).

Based on these questionnaires, the Procurement Department may proceed with specific analyses and detailed checks, which can include assessment visits to the supplier's production units and offices. Other company departments, such as the Technical and QHSE Departments, may also participate in the visits which are designed to assess the supplier's technical and operating capabilities with special regard to the products and services of interest to the Group. They also investigate those aspects that could affect the potential partner's ability to comply with its contractual commitments.

Additional risk analyses are performed for certain suppliers that fall into the counterparty risk category using the methods and tools defined by the Risk Management Unit.

Upon completion of the checks, suppliers found to be suitable for qualification are included in the suppliers register and the reference Vendor List.

Certain contracts require adoption of a specific additional qualification system depending on the applicable regulatory and contractual requirements. For example, suppliers working on projects subject to LEED environmental certification are subjected to additional checks to verify their compliance with specific environmental parameters, while other specific requirements, such as social criteria, are checked for projects acquired in some countries. These may include checking potential suppliers whose workforce mainly consists of employees from special categories (e.g., ethnic minorities).

In 2018, the Corporate Procurement Department vetted 5,325 new suppliers to verify their integrity, classification of their know-how and reference lists. At global level, analyses of social and environmental parameters were performed for 972 and 613 new suppliers, respectively.

Contracts with suppliers include provisions requiring them to comply with the applicable regulations, the Code of Ethics, the 231 Model and the Anti-corruption Model as well as quality, health and safety and environment requirements. The contracts have specific termination clauses if the suppliers do not comply therewith.

Once the contract has been signed and is effective, the Company monitors the performance of its key suppliers using a special assessment process, involving the head office's Procurement Department and the contract managers. It assesses suppliers once a year. In 2018, these assessments involved more than 15 contracts selected for their financial relevance. They covered nearly all the suppliers of the analysed contracts (response rate of above 95%), showing average performances (measured using the IVR vendor rating index) of roughly 80/100, confirming the high quality of the Group's supply base.

The assessment process is flanked by the on-site monitoring of projects by the local QHSE Departments, which mainly cover subcontractors and is designed to check that their activities comply with the Company's quality standards and applicable requirements for the environment, health and safety. Specifically, the local QHSE Departments regularly audit the subcontractors. Any non-compliance is managed in accordance with the management system procedures and include the agreement of improvement plans and follow-up checks to ensure that they are implemented.

Involvement of the subcontractors in these issues also takes the form of regular coordination meetings and the participation of their employees in the classroom and on-site QHSE training courses (248,246 hours in 2018).

In addition to involving and monitoring suppliers at the work sites, the Company also interacted with them at central level during the year.

This includes the annual supplier meeting attended by the Group's Italian and international employees and suppliers when the main procurement practices are presented. The Company presented, inter alia, the process to assess suppliers' performances during the 2018 meeting to inform them about the increasing attention paid by the Company to developing long-term relationships that allow the suppliers to grow and ensure their constant improvement.

The Company continued its innovation days in 2018, which are appointments with individual suppliers attended by head office employees. They are an opportunity for the supplier and the Company to discuss their experiences about new technologies, products, innovative processes and other matters of mutual interest.

Social aspects

Internal policies

It is a well-known fact that the direct relationship between investments in infrastructure and greater domestic demand leverages economic growth. Construction companies engaged in building infrastructure may contribute to this factor by adopting suitable internal policies.

Salini Impregilo is committed to contributing to the social and economic development of the areas where it works in line with its Code of Ethics and Sustainability Policy, through:

- employment of workers from the area in which the projects are taking place, when available in the numbers required and that have the necessary skills;
- professional training of local personnel;
- procurement strategies designed to meet requirements using local supplies as far as possible, depending on the availability of the required goods and services;
- initiatives to assist the local communities, after checking the integrity and respectability of the recipients and the projects' consistency with the Code of Ethics.

The Company is also committed to respecting the rights and culture of the local communities which it does by also using appropriate communication channels in line with the relevant regulatory and contractual provisions.

Main risks and management methods

The Group identifies the risks and defines methods to manage the social aspects described in this section (hiring of local labour and procurement, relations with the local stakeholders) during the start-up stage of its projects.

The project start-up process complies with the Project Management principles (ISO 21500) and entails the proactive involvement of the project team and the head office departments to ensure the integrated management of internal and external factors.

Specifically, all the regulatory and contractual elements applicable to the project are analysed during this process and the Company defines the Mobilisation programme which includes the main activities needed to start the project. They include definition of the work schedule, which comprises, inter alia:

1. the requirement plan for machinery, plant, subcontractors, third parties, materials and services;
2. the mobilisation plan for managers, staff and blue collars.

The methods of managing relations with local stakeholders are defined in the contracts and the Group is obliged to scrupulously abide by their provisions.

Employment created by the Group's projects

The creation of jobs by the Group in the countries where it operates is important as it enables local personnel to improve their skills and expertise, especially those in developing and emerging nations, and to generate additional wealth for the economy. This approach also creates the opportunity for the Group to create a pool of qualified workers who can be used for future projects.

Some projects have special local personnel recruitment plans as provided for contractually, which may include employment targets.

Specifically, 65% of the 26,564 direct employees were hired locally.

Direct employees hired locally	Unit	2017	2018
Africa	%	95%	95%
Central and South America	%	90%	90%
North America	%	100%	100%
Europe	%	86%	86%
Middle East, Asia and Oceania	%	14%	21%
Average	%	70%	65%

The reduction in the average number of direct employees hired locally in 2018 is mainly a result of the decrease in the US (following the sale of Lane's Plant & Paving Division) and Ethiopia (due to the advanced stage of completion of the Gerd project).

The Middle East, Asia and Oceania area increased its average numbers but has the smallest percentage of local workers. This is affected by the projects in Saudi Arabia, Qatar and the United Arab Emirates, where insufficient resources are available to perform the contracts making it necessary to bring in labour from other countries. Reference should be made to the section on "Human rights" for information about the management of migrant workers.

In 2018, local managers made up 70% of the total, reaching 97% in North America and 87% in Europe. In addition to the direct workforce, the involvement of indirect personnel (mainly employees of subcontractors and service providers) contributes significantly to the employment generated locally. Indirect workers involved in group projects numbered 38,523 at 31 December 2018 compared to 32,469 at 31 December 2017.

Local procurement

Purchases from suppliers resident in the countries where the Group operates are the main trigger to developing ancillary industries (which is a direct contributor to GDP, public revenue and disposable income).

In 2018, the Group maintained a strong relationship with its local supplier chain, with roughly 93% of its expenditure made with local suppliers.

Local procurement (GRI 204-1)	Unit	2017	2018
Africa	%	40%	38%
Central and South America	%	82%	90%
North America	%	100%	100%
Europe	%	90%	87%
Middle East, Asia and Oceania	%	86%	96%
Average	%	88%	93%

Reference should be made to the section on the “Statement of profit or loss” of the Consolidated Financial Statements for figures related to procurement (operating costs).

Initiatives to assist local areas

The Group contributes to developing the areas in which it works through initiatives to assist the local communities, which may include sponsorships, social and philanthropic initiatives. Sponsorships and donations are managed in line with the specific guidelines and internal procedures that are part of the Anti-corruption System, which is certified as UNI ISO 37001 (Anti-Bribery Management System) compliant. This ensures that any assistance is in line with the approved budgets and is only given after the positive outcome of checks of the potential counterparties.

The Group Guidelines require that assistance is given locally in five strategic macro-sectors: social, art and culture, education and research, environment, sport and entertainment.

The main initiatives carried out can be classified as follows:

- direct assistance to design and build infrastructure benefitting the local community such as, for example, schools, healthcare facilities, roads, etc.;
- assistance with social programmes, carried out directly or through other organisations in the above macro-sectors;
- free access to certain work site facilities such as clinics, water and electricity supply networks for local communities living in rural areas not connected to basic services.

The Group carried out 127 initiatives in 2018 for €4.4 million (2017: roughly €1.1 million).

Initiatives to assist local areas (GRI 203-1)	Unit	2017	2018
Investments in infrastructure	no.	25	12
Social programmes	no.	173	115
Total	No.	198	127

Most of the initiatives were carried out in the US for social and education purposes while the most significant one was that for the Koyscha project in Ethiopia, where a road was built connecting several villages and allowing the communities to more easily reach the larger centres in the Konta and Gamo-Gofa regions, which have essential services such as hospitals and local administrations. Other initiatives included free healthcare provided to local communities by work site clinics in rural areas in Ethiopia, Namibia and

Tajikistan. Specifically, 9,182 medical check-ups (2017: 9,060) were given and 11,764 health interventions (2017: 13,610).

Pursuant to the principles of its Code of Ethics, the Company does not make contributions to political and trade organisations of any kind (parties, movements, committees, etc.) nor their representatives.

Stakeholder engagement

Given that it mainly operates as a contractor on behalf of public and private clients, the Group is required to scrupulously adhere to the contractual provisions about engagement with local stakeholders. These provisions establish the roles and responsibilities each party is obliged to comply with.

In line with these provisions, the Group defines procedures to handle engagement with local stakeholders (such as, for example, the grievance mechanisms) and the communication channels to be used at work sites either physical (e.g., public relations offices) or technological (special phone numbers, websites, email addresses, etc.).

The clients are responsible for engagement with the local communities in most of the ongoing contracts while the Group provides technical and operating assistance to manage any issues that arise. Matters discussed by contract personnel and the local communities mostly relate to:

- employment and any inconveniences caused by the work site's presence;
- the characteristics of the work under construction and its possible social and environmental implications.

As described in detail in the section "The infrastructure sector and Salini Impregilo's role", the Group's clients are responsible for planning and developing projects. When required by the applicable regulations, this includes an assessment of the social and environmental impacts, the prior consultation of the stakeholders, definition of the mitigation and compensation actions and receipt of the authorisations. Therefore, the clients have sole responsibility for handling relations with the stakeholders for the second category of topics mentioned earlier, while the Group provides assistance with management of the relationships covering the first category of topics. This is a potential source of risks for the Group as, if the client does not properly and efficiently manage its responsibilities, the local community could oppose the project leading to delays in the works, an increase in costs and damage to the Group's reputation as well. The Group constantly monitors stakeholder expectations about the projects it is involved in so that it can take the actions necessary to mitigate any risks.

Should the Group receive requests for information or other communications from stakeholders, such as international non-profit organisations and SRI analysts, it provides the requested information to guarantee transparency about its work as a contractor engaged to build the works provided for by the relevant contract, with a clear-cut distinction between its role and responsibilities and those of its client.

Methodology for reporting non-financial information

Salini Impregilo was the first Italian construction company to prepare and publish an Environmental Report in 2002 and similarly it was the first to publish a Sustainability Report drawn up in accordance with the Global Reporting Initiative (GRI) Guidelines in 2009.

Standards applied

This 2018 Consolidated Non-financial Statement has been prepared in accordance with Legislative decree no. 254/2016. The Company has used the GRI Sustainability Reporting Standards (Core option), published by the GRI in 2016. This statement also constitutes the Communication on Progress (COP) to Global Compact.

Materiality analysis

The Company performed a materiality analysis as set out in the GRI Sustainability Reporting Standards to define the individual topics to be disclosed in the Non-financial Statement pursuant to Legislative decree no. 254/2016. The main steps comprising this analysis are set out below:

- internal identification of the possible non-financial topics relevant to the construction sector, by analysing peers, reports published by analysts and ESG (Environmental, Social, Governance) rating agencies, sector studies and the media;
- internal prioritisation of the identified topics, by involving the main departments that participate in the non-financial reporting process;
- external prioritisation of the identified topics, by analysing engagement with the Group's main shareholders over the reporting period, for example, questions most frequently asked by clients during the pre-qualification and tender stages, questions most frequently asked by analysts and SRI investors in questionnaires and specific applications and questions raised by the trade unions. In 2018, the Company performed an analysis of its reputation in general and in relation to specific aspects, including non-financial aspects (such as workplace, governance and citizenship) by engaging a provider specialised in the measurement of organisations' reputations;
- approval of the relevant aspects by management involved in non-financial reporting.

The material aspects identified by the materiality analysis, grouped into the macro categories provided for by Legislative decree no. 254/2016 are listed below:

Topics as per Leg. decree no. 254/2016	GRI related material aspects	Materiality within the Group	Materiality outside the Group
Environment	Materials, Energy, Water, Biodiversity, Emissions, Waste and Environmental compliance	Direct activities performed at the offices and work sites	Activities performed by subcontractors and service providers
Employees	Employment, Industrial relations, Health and safety, Training, Diversity and equal opportunities* and Non-discrimination	Direct activities performed at the offices and work sites	Activities performed by subcontractors and service providers
Human rights	Freedom of association and collective bargaining, Child labour, Forced or compulsory labour, Security practices and Indigenous rights	Direct activities performed at the work sites	Activities performed by subcontractors and service providers
Anti-corruption	Anti-corruption	Direct activities performed at the offices and work sites	Activities performed by the third parties defined in the Anti-corruption Model
Supply chain	Supplier environmental assessment, Supplier assessment for impacts on society	Direct activities performed at the offices and work sites	Activities performed by subcontractors and service providers
Social	Market presence, Procurement practices, Local communities and Indirect economic impacts	Direct activities performed at the offices and work sites	Activities performed by clients and subcontractors

*The equal opportunities topic is only material for the corporate offices as it is of little significance at the work sites given the characteristics of the construction sector, which is a predominantly male domain.

Relevant stakeholders

The Company regularly maps its stakeholders based on engagement with the main stakeholders in the areas where it operates. The following chart lists the stakeholders relevant to the Company, the areas of interest and the key characteristics of the engagement with the Group.

		Level of engagement		Area of interest				Relationship length					
Stakeholder	Interest		International	Local	Anti-corruption	Environment	Labour practices and human rights	Supply chain	Social	Long term	Medium term	Project life	Ad-hoc
	Employees & Trade unions	.											
Shareholders & Investors	
Clients & Potential clients	
Suppliers, contractors, subcontractors & partners	
Local communities & NGO	
Governments & public administrations	
Sector associations & media	

The Group adopts diversified and flexible dialogue and involvement practices depending on the stakeholders' characteristics and needs.

At corporate level, key stakeholders include investors, clients, current and potential employees, national and international trade unions, partners, public administrations, the media and the general public. Dialogue with them mainly relates to development objectives and strategies, results, the acquisition of new contracts, the shareholder structure, career paths and professional development.

At operating level, the main involvement activities depend on the individual project's characteristics. The key stakeholders are partners, employees, local communities, suppliers, contractors and subcontractors, clients, local authorities and organisations like local trade unions and non-governmental organisations.

Scope of the Statement

As established by article 4 of Legislative decree no. 254/2016, this Consolidated Non-financial Statement includes the figures of the parent (Salini Impregilo S.p.A.) and its fully-consolidated subsidiaries. The parent comprises its head offices in Italy (corporate), the directly run work sites, branches and joint operations for which it manages their operations.

The Company has an internal procedure in place to define and regularly review the scope of the Statement based on its consolidation scope for financial reporting purposes. Specifically, it performs a materiality analysis on the list of entities making up the parent and fully-comprised subsidiaries considering the level of operations of the individual entities, which are classified as:

- a. operational (e.g., ongoing contracts);

- b. limited operations (e.g., contracts being completed);
- c. non-operational (e.g., entity in liquidation).

This Statement's scope includes entities classified as "operational" and "limited operations". A list of the entities included in the 2018 Statement's scope for which a non-financial reporting system was implemented is given below:

Name	Country	Name	Country
Salini Impregilo S.p.A.*	Italy	Impregilo New Cross Limited*	UK
Al Maktoum International Airport JV	United Arab Emirates	Impregilo-Sk E&C-Galfar Al Misnad JV*	Qatar
Brennero Galleriacque S.c.r.l.*	Italy	Imprepar S.p.A.*	Italy
CDE S.c.a.r.l.	Italy	Lane Industries Incorporated*	USA
Cigla Construtora Impregilo y Asociados S.a.*	Brazil	Mercovia S.A.*	Argentina
Consortio Construtor Salini Impregilo - Cigla*	Brazil	Salini Australia PTY L.t.d.*	Australia
COCIV consortium*	Italy	Salini Impregilo - NRW Joint Venture*	Australia
Constructora Ariguani SAS*	Colombia	Salini Impregilo S.p.A. - S.A. Healy Company Jose J. Chediack S.a. UTE*	Argentina
Copenhagen Metro Team I/S*	Denmark	Salini Malaysia Sdn.Bhd*	Malaysia
CSC Impresa Costruzioni S.A.*	Switzerland	Salini Namibia Proprietary L.t.d.*	Namibia
Fisia - Alkatas Joint Venture*	Turkey	Salini Nigeria L.t.d.*	Nigeria
Fisia Italmimpianti S.p.A.*	Italy	Salini Polska L.t.d. Liability Co*	Poland
Galfar - Salini-Impregilo - Cimolai JV*	Qatar	Salini Impregilo - Tristar JV	United Arab Emirates
HCE Costruzioni S.p.A.*	Italy	Salini Saudi Arabia Company L.t.d.*	Saudi Arabia
Iglys Sociedad Anonima*	Argentina	Thessaloniki Metro CW JV	Greece
Impregilo International Infrastructures N.V.*	Netherlands		

The entities marked with an asterisk in the above table were also included in the reporting scope of the 2017 Non-financial Statement. The other entities have been included in the reporting scope of this Statement for the first time.

Contracts managed directly by the parent include the Meydan One Mall (United Arab Emirates), the Grand Ethiopian Renaissance Dam (Ethiopia), the Koysha Dam (Ethiopia), Nenskra (Georgia), the Expressway S7 Skomielna (Poland), Bumbuna O&M (Sierra Leone) and the Rogun Dam (Tajikistan). The joint operations for which the Group manages their operations are the Arriyad New Mobility Consortium (Saudi Arabia), Civil Works Joint Ventures (Saudi Arabia) and South Al Mutlaa Joint Venture (Kuwait).

More information on the in-scope entities is available in the section on the "Consolidation scope" in the notes to the consolidated financial statements.

The information in this Statement refers to the above scope. The data for the joint operations led by the Group are shown at 100%. Exceptions to the scope are listed below:

- data about the labour force relate to the consolidation scope of the consolidated financial statements;
- the environmental data does not include the offices as they are not material;
- the data about health and safety of workers include the companies that are not fully consolidated over which the Group manages the operational activities and excludes joint operations when its partners are responsible for management of the Health and Safety Systems.

Any specific limitations to the scope are specified in the text or in the GRI Content Index.

The 2017 corresponding information relates to the scope of the Group's 2017 Consolidated Non-financial Statement, to which reference should be made. The figures about the injury rates for 2017 were restated following adoption of the new standard GRI 403: Occupational Health and Safety 2018 issued by the Global Sustainability Standards Board (GSSB) in 2018. Similarly, the figures about the average per capita training hours were restated to consider solely classroom and on-site training while the 2017 Statement included HSE training provided at the work sites. The data relating to the energy intensity and the intensity of greenhouse gas emissions of 2017 were restated following the restatement of the 2017 revenues made in compliance with IFRS 5 (due to the sale of Lane's Plants & Paving Division) and following the introduction of IFRS 15. Finally, the figures on water withdrawals were restated following the improvement in the internal reporting system, which meant that rainwater and wastewater from other organisations could be included.

Calculation method

The data and information in this Statement are taken from the Group's information systems and a special non-financial reporting system introduced to meet the requirements of Legislative decree no. 254/2016 and the GRI Sustainability Reporting Standards. The data were processed using accurate calculations and, if specified, estimates. The methods used to calculate the main indicators are set out below.

Injury rates

The injury rates are calculated using the methods established by standard UNI 7249:2007 "Statistics on occupational injuries". They show the number of injuries leading to lost work days (LTIFR) and the number of recordable injuries for every million hours worked (TRFR).

Specifically, the LTIFR (Lost Time Injury Frequency Rate) is calculated as the ratio of the total number of injuries leading to absence from work in the period (including death) to the total number of hours worked, multiplied by 1,000,000.

The TRFR (Total Recordable Injury Frequency Rate) is calculated as the ratio of total recordable injuries (calculated considering deaths, injuries leading to absence from work, injuries only requiring medical treatment and injuries leading to assignment of reduced workloads in countries where this is allowed) to the total number of hours worked, multiplied by 1,000,000.

Any commuting injuries during the period are not considered.

Energy consumption and GHG emissions

The calculation of direct energy consumption is based on the conversion factors provided by the UK Department for Business, Energy & Industrial Strategy - BEIS (2016 Government GHG Conversion Factors for Company Reporting). Internal energy consumption refers to the in-scope entities' direct activities. Indirect energy consumption, like scope 3 emissions, refer to activities performed by subcontractors. The Group monitors its emissions data using an operating control approach.

Calculations of the Group's GHG emissions are based on:

- the emission factors defined by the standard parameters of the UK Department for Business, Energy & Industrial Strategy – BEIS (2016 Government GHG Conversion Factors for Company Reporting) for fuel consumption - the calculation includes CO₂, CH₄ and N₂O gases;
- the emission factors provided by the International Energy Agency (CO₂ Emissions from Fuel Combustion, 2013 edition, 2011 data) for electric energy consumption;
- the emission factors provided by the IPCC (Fourth Assessment Report AR4 100yr) to convert CH₄ and N₂O into CO₂ equivalent.

The energy intensity rates and the GHG emission rates are calculated by comparing the total data (energy consumption and GHG emissions) to revenue for the period. Specifically, the intensity rate for GHG emissions includes the sum of Scope 1, Scope 2 and Scope 3 emissions.

Water use

Data about water not taken from aqueducts, not obtained from other sources (e.g., water tanks) and not measured using meters are calculated considering the withdrawal systems' capacity (pump capacity in the average number of working hours) or production activity performed in the period.

Waste

The data refers to waste generated by the in-scope contracts in line with the locally-applicable regulations. When the data is expressed as a volume, the related weight is calculated using specific conversion factors. Information about the allocation methods for EU projects (i.e., how the waste is treated: recovery or disposal) is based on its legal classification. The methods used for non-EU projects reflect the conditions of the contracts agreed with third party waste management companies.

GRI Content Index

Disclosure	Description, page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)	UN Global Compact Principles
GRI 102	General Disclosures (2016)	
Organisational profile		
102-1	Name of the organisation: Salini Impregilo S.p.A.	
102-2	Activities, brands, products, and services: p. 8	
102-3	Location of headquarters: Milan, Italy	
102-4	Location of operations: p. 43	
102-5	Ownership and legal form: Salini Impregilo S.p.A is listed on the Milan stock exchange and is managed and coordinated by Salini Costruttori S.p.A..	
102-6	Markets served: p. 43	
102-7	Scale of the organisation: p. 13, p. 43, p. 117	6
102-8	Information on employees and other workers: p. 117. Open-ended contracts account for 96% of the total in Africa, 89% in Central and South America, 96% in North America, 86% in Europe and 97% in the Middle East, Asia and Oceania. 99.9% of the employees have full-time contracts.	
102-9	Supply chain: p.144	
102-10	Significant changes to the organisation and its supply chain: No significant changes to the organisation or the supply chain compared to the previous period	
102-11	Precautionary Principle or approach: p. 109, 132	
102-12	External initiatives: p. 112	
102-13	Membership of associations: Salini Impregilo is a member of AIR – Associazione Investor Relations, Amici della Triennale, Assonime, Assolombarda, Associazione Assafrica e Mediterraneo, Associazione AIAS, Associazione Italiana Internal Auditors, AIGI – Associazione Italiana Giuristi d’Impresa, AICQ CN – Associazione Italiana Cultura Qualità Centro-Nord, Comitato Leonardo, Fondazione Global Compact Network Italy, Gruppo Italiano della Trilateral Commission, ITCOLD - Comitato Nazionale Italiano per le Grandi Dams, ISPI – Istituto per gli Studi di Politica International, and UNI – Ente Italiano di Normazione.	
Strategy		
102-14	Statement from senior decision-maker: p. 3	
Ethics and integrity		

102-16	Values, principles, standards, and norms of behaviour: p. 112	10
Governance		
102-18	Governance structure: p. 112	
Stakeholder engagement		
102-40	List of stakeholder groups: p. 152	
102-41	Collective bargaining agreements: The Group agrees employment contracts with its employees in line with the local applicable legislation, the principles of the framework agreement with the BWI and any other agreements signed with the local trade unions. In 2018, this covered 10,199 employees, equal to 38% of the total.	3
102-42	Identifying and selecting stakeholders: p. 152	
102-43	Approach to stakeholder engagement: p. 132, p. 127, p. 147, p. 152, p. 153	
102-44	Key topics and concerns raised: p. 150	
102-45	Entities included in the consolidated financial statements: p. 152	
102-46	Defining report content and topic Boundaries: p. 152	
102-47	List of material topics: p. 152	
102-48	Restatements of information: p. 152	
102-49	Changes in reporting: No significant changes in the material topics. Moreover, the scope of the material topics is the same as that for the previous period.	
102-50	Reporting period: 2018	
102-51	Date of most recent report: The 2017 Consolidated Non-financial Statement was published on 30 April 2018.	
102-52	Reporting cycle: Annual	
102-53	Contact point for questions regarding the report: sustainability@salini-impregilo.com	
102-54	Claims of reporting in accordance with the GRI standards: p. 152	
102-55	GRI content index: p. 157	
102-56	External assurance: p. 165	
GRI 200 Economic		
GRI 201 Economic performance (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 108	
201-1	Direct economic value generated and distributed: The direct economic value generated by the Group in 2018 amounted to €5,237 million, including €4,986 million which was distributed and €252 million which was retained. Specifically, €3,942 million was distributed to suppliers (operating costs), €774 million to employees (remuneration and benefits), €203 million to the lenders and €67 million to the public administration (taxes). Reference should be made to the information about the ordinary shareholders' meeting to be held on 24 April 2019 in the Directors' report for information about the dividend distribution.	
GRI 202 Market Presence (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 148	6
202-2	Proportion of senior management hired from the local community: p. 148. The term manager refers to persons who hold management positions as part of the contract and head a department/unit. In the case of EU resources, it refers to the contractual definition of a manager. Local employees are those who are hired in the same country as that in which they reside.	6
GRI 203 Indirect Economic Impacts (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 150	
203-1	Infrastructure investments and services supported: p. 150. The total value of initiatives to assist local areas includes monetary donations (6.6%), sponsorships (9.8%) and contributions in kind (83.6%) (e.g., labour, materials, machinery).	
GRI 204 Procurement Practices (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 150	
204-1	Proportion of spending on local suppliers: p. 150. Local suppliers are those with a registered office in the same country in which the Group's projects are taking place.	
GRI 205 Anti-corruption (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 141	10
205-1	Operations assessed for risks related to corruption: p. 141. 125 companies were included in the assessment scope.	10
GRI 300 Environmental		
GRI 301 Materials (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8
301-1	Materials used by weight or content: p. 135. The Group does not use significant renewable materials for its core activities while it can use recycled or recovered materials, as described in the relevant section.	7, 8
GRI 302 Energy (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8, 9
302-1	Energy consumption within the organisation: p. 135, p. 156.	7, 8, 9
302-2	Energy consumption outside of the organisation: p. 135, p. 156. Significant external energy consumption refers to the Group's subcontractors.	7, 8, 9
302-3	Energy intensity: p. 135, p. 156.	7, 8, 9
GRI 303 Water (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8, 9
303-1	Interactions with water as a shared resource: p. 135, p. 156.	7, 8, 9
GRI 304 Biodiversity (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 140	8
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas: p. 140. Specifically, in 2018, 39 work sites (the equivalent of 8.8 sq km) were located in protected areas (mostly in the US, followed by Namibia, Denmark and Italy) and 60 (the equivalent of 3.9 sq km) in areas adjacent to protected areas (mostly in the US, followed by Australia, Slovakia and Italy). Of these sites, 25 are in areas protected by local regulations, 26 in areas protected by national regulations, five in "Natura 2000" areas and 41 in wetlands included in the Ramsar List. There are 13 work sites located in ecosystems that contain water (e.g., lakes, rivers, swamps, etc.), 20 in urban ecosystems, nine in agricultural ecosystems, 46 in wood ecosystems, five in mountain ecosystems, five in desert ecosystems and one in a coastal ecosystem. In these areas, construction and plant operation activities are mainly carried out. The sites (not located within protected areas) in which activities with potential impacts on surrounding protected areas are carried out are considered "adjacent to protected areas".	8
GRI 305 Emissions (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8, 9
305-1	Direct (Scope 1) GHG emissions: p. 135, p. 156.	7, 8, 9

305-2	Energy indirect (Scope 2) GHG emissions: p. 135, p. 156.	7, 8, 9
305-3	Other indirect (Scope 3) GHG emissions: p. 135, p. 156.	7, 8, 9
305-4	GHG emissions intensity: p. 135, p. 156.	7, 8, 9
GRI 306 Effluents and Waste (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 138	
306-2	Waste by type and disposal method: p. 138, p. 156.	
GRI 307 Environmental Compliance (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 132	
307-1	Non-compliance with environmental laws and regulations: p. 132	
GRI 308 Supplier Environmental Assessment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 144	
308-1	New suppliers that were screened using environmental criteria: p. 144. Specifically, in 2018, 11% of the new suppliers were screened using environmental criteria.	
GRI 400 Social		
GRI 401 Employment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 119	
401-1	New employee hires and employee turnover: p. 119. Specifically, in 2018, 8,647 people joined the Group (entry rate of 30%), including 4,050 under 30 years of age (47%), 4,032 between 30 and 50 (47%) and 565 over 50 (7%). The geographical distribution of employees is as follows: 3,248 in Africa (38%), 669 in Central and South America (8%), 570 in Europe (7%), 4,160 in the Middle East, Asia and Oceania (48%). During the year, people that left the Group, including the transfers of resources among group sites, numbered 16,135 (exit rate of 55%), including 5,048 under 30 (31%), 8,265 between 30 and 50 (51%) and 2,822 over 50 (17%). The geographical distribution of expenditure is as follows: 5,697 in Africa (35%), 1,239 in Central and South America (8%), 4,493 in North America (28%), 1,210 in Europe (7%), 3,496 in the Middle East, Asia and Oceania (22%). The rates were calculated using the average employee numbers for the period.	
GRI 402 Labour/Management Relations (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 127	
402-1	Minimum notice periods regarding operational changes: The minimum notice period to communicate significant operating personnel changes for Salini Impregilo is set by collective employment contracts and relevant local laws. It varies from one to 26 weeks for managers, one to eight weeks for office staff and one to eight weeks for blue collars.	
GRI 403 Occupational Health and Safety (2018)		
103-1, 103-2, 103-3	Management approach disclosures, p. 122	
403-1	Occupational health and safety management system: p. 122. The Health and Safety Management System is installed at the Italian head offices (corporate), direct contracts, joint operations where the Group manages the operational activities or has specific agreements with its partners. Its system is not used by the joint operations where health and safety management is the responsibility of its partners.	
403-2	Hazard identification, risk assessment, and incident investigation: p. 122.	
403-3	Occupational health services: p. 122.	
403-4	Worker participation, consultation, and communication on occupational health and safety: p. 122.	
403-5	Worker training on occupational health and safety: p. 122.	
403-6	Promotion of worker health: p. 122.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships: p. 122.	
403-9	Work-related injuries: p. 122. Despite the stringent assessments of risks and operating controls, seven fatal injuries took place in 2018 involving direct employees (0.07%) and one involving employees of subcontractors (0.01%). The frequency rate, calculated in accordance with Italian legislation (sick leave of more than 40 days), involved 29 direct employees (0.29%) and 20 employees of subcontractors (0.22%). The total number of recordable injuries was 828 for the direct employees (8.37%) and 554 for employees of subcontractors (6.18%). The main types of injury were wounds, bruises and fractures.	
GRI 404 Training and Education (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 120	
404-1	Average hours of training per year per employee: p. 120, 153. In 2018, technical and production employees received an average of 13 hours of training per capita, while office employees received 9 hours. During the year, the per capita training hours provided to corporate employees amounted to 55 for men and 41 for women. This figure is not significant for the operating units given the strong predominance of male resources.	
GRI 405 Diversity and Equal Opportunity (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 127	
405-1	Diversity of governance bodies and employees: reference is made to the report on corporate governance and the ownership structure for full disclosure on the diversity of governance bodies p. 128 (diversity of employees).	
GRI 406 Non-discrimination (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
406-1	Incidents of discrimination and corrective actions taken: p. 127. The Group received five notifications of alleged discrimination from Lane's employees during the year. These notifications were handled in accordance with Lane's internal procedures. At year end, three cases had been settled and two analysed.	
GRI 407 Freedom of Association and Collective Bargaining (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk: p. 127.	
GRI 408 Child Labour (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
408-1	Operations and suppliers at significant risk for incidents of child labour: p. 127.	
GRI 409 Forced or Compulsory Labour (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour: p. 127.	
GRI 410 Security Practices (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
410-1	Security personnel trained in human rights policies or procedures: p. 127.	
GRI 411 Rights of Indigenous Peoples (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	

411-1	Incidents of violations involving rights of indigenous peoples: p. 127. No instances (e.g., legal action) for the violation of indigenous rights took place in the year.	
GRI 412 Human Rights Assessment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
412-1	Operations that have been subject to human rights reviews or impact assessments: p. 127.	
GRI 413 Local Communities (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 109.	
413-1	Operations with local community engagement, impact assessments, and development programmes: Given the type of works, their location and reference regulatory frameworks, the Group's projects are subject to different laws and standards for social and environmental aspects. Accordingly, a social and/or environmental impact assessment prepared by the clients exists for 58% of its in-scope projects. The clients consulted the local communities for 44% of the projects. A management system is in place to handle complaints from local communities for 38% of the projects (the grievance mechanisms). Development projects assisting the local communities exist for 23% of the projects while workers committees exist for 26% of the projects.	
GRI 414 Supplier Social Assessment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 144.	
414-1	New suppliers that were screened using social criteria: p. 144. Specifically, in 2018, 17% of the new suppliers were screened using social criteria.	
GRI 415 Public Policy (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 149.	
415-1	Political contributions: p. 149.	

Report of the auditors



KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

*To the board of directors of
Salini Impregilo S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2018 consolidated non-financial statement of the Salini Impregilo Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 15 March 2018 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salini Impregilo S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
Euro 10.345.200,00 i.v.
Registro Imprese Milano e
Codice Fiscale N. 00709500159
R.E.A. Milano N. 512957
Partita IVA 00709500159
VAT number IT00709500159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

- 1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
- 2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

- 3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
- 4 Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

- 5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check the correct aggregation of data in the quantitative information;
- we visited Civil Works Joint Ventures (Saudi Arabia), which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.



Salini Impregilo Group
Independent auditors' report on the consolidated non-financial statement
31 December 2018

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 consolidated non-financial statement of the Salini Impregilo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Milan, 2 April 2019

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit