

# REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

# REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

*Pursuant to article 123-bis of Legislative Decree 58/1998  
(Consolidated Finance Act - TUF)  
(traditional management and control model)*

Issuer: SALINI IMPREGILO S.p.A.  
Website: [www.salini-impregilo.com](http://www.salini-impregilo.com)

**Year to which the Report refers: 2017**

**Date of approval of the Report by the Board of Directors: March 23, 2018**



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## GLOSSARY

**Code/Corporate Governance Code:** The Corporate Governance Code of listed companies approved in July 2015 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Italian Civil Code Civ.:** “il Codice Civile”.

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

**Financial year:** the financial year to which the Report refers - 2017 financial year.

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

**Consob issuers’ Regulation:** the Regulation issued by Consob with Resolution no. 20249 of 2017 (as amended) concerning markets.

**Consob Regulation on Related Parties:** the Regulation issued by Consob with Resolution no. 17221 of 12 March 2010 (as subsequently amended) concerning related party transactions.

**Report:** The report on corporate governance and ownership structure that companies are required to prepare pursuant to art. 123-bis of the TUF.

**Consolidated Finance Act/TUF:** Legislative Decree no. 58 of February 24, 1998.

## Introduction

The scope of this report on corporate governance and ownership structure (the report “Seventh edition - January 2018”), aims at illustrating the corporate governance model adopted by Salini Impregilo, providing a summary description of the actual implementation procedures of the traditional administration and control model used by the Issuer.

The *corporate governance* structure adopted by Salini Impregilo is based on the guidelines set out in the “Corporate Governance Code” approved in March 2006, whose most recent amendment dates 9 July 2015 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available to the market on Borsa Italiana’s website <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm> (the “Code”), as it believes that having a well structured governance system is a pre-requisite for maximum efficiency and also ensures greater levels of transparency, thus increasing investor confidence in the Issuer.

This Report has been approved by the Board of Directors of Salini Impregilo S.p.A. of March 15, 2018, and has been issued in the “*Governance - Governance System - Corporate Governance Report*” section of the Company’s website.



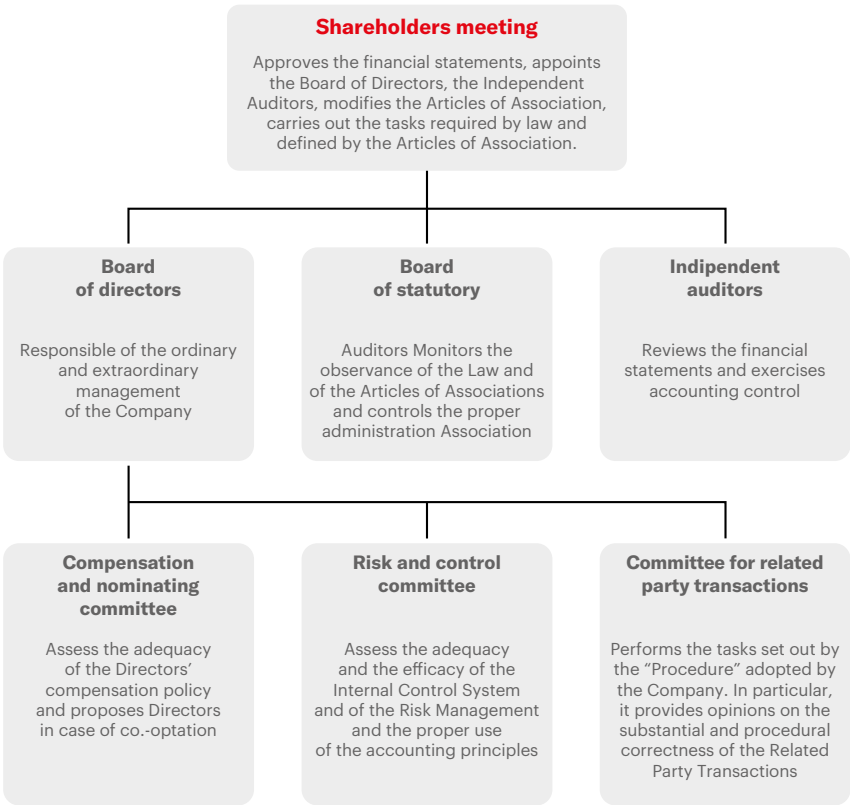
# 1

## ISSUER PROFILE

Salini Impregilo S.p.A. is an issuer with shares listed on the Mercato Telematico Azionario (electronic stock exchange) managed by Borsa Italiana S.p.A., resulting from the merger of Salini S.p.A. into Impregilo S.p.A., with effect from January 1, 2014 <sup>1</sup>. The Company is subject to the management and coordination of Salini Costruttori S.p.A., pursuant to Art. 2497 and subsequent ones of the Italian Civil Code, and adheres to the Corporate Governance Code.<sup>1</sup>

Salini Impregilo Governance System, based on a traditional governance model, in line with international standard best practices, represents an essential instrument to ensure an efficient management of the Group and, at the same time, an efficient means of control on business activities, in line with value creation targets for shareholders, and to protect the interests of all stakeholders.

The figure below, shows the organization of the Governance System adopted by the Company.



<sup>1</sup> Deed of merger drawn up by Mr. Carlo Marchetti, notary public in Milan, filed under No. 10520 of Folder No. 5396 of November 26, 2013. The shareholders eliminated the nominal amount of the ordinary shares and savings shares in the extraordinary session of the Shareholders' Meeting on October 12, 2004.

Operating in more than 50 countries with over 35,000 employees, a production value at the end of 2017 of approximately 6.5 billion (including Lane Industries Incorporated, the US subsidiary of Salini Impregilo, leader in the United States in the road paving sector) and an order book totalling 36.9 billion, the Salini Impregilo Group is a global player in the construction of complex large-scale infrastructures.

Salini Impregilo, which in 2016 celebrated 110 years, bases its activities on a strong passion for construction which is reflected in its wealth of international projects. The Group has been operating in the dams and hydroelectric plants, hydraulic works, railways and metro systems, airports and motorways, civil and industrial building sectors.

From 1906 to the present day, Salini Impregilo has completed about 2,000 projects in five continents. The Group is one of the leaders in the construction of large, complex infrastructure as a whole, in particular the list of the Top 25 International Contractors released in 2017 by the American specialized magazine Engineering News Record (ENR) confirmed for the fifth consecutive year the Group as the first water World developer, securing also its entry in the Top 10 in the USA market.

Between the years 1960-2016, the Company has done 257 dams and electric plants; 7,230 kilometres of railway and metro lines; 1,450 kilometres of tunnels and 350 kilometres of bridges and viaducts.

The Company, after the acquisition that came into effect in 2016, fully controls Lane Industries Incorporated, a 125-years-old American company specialised in civil infrastructural buildings and transports, as well as the largest private producer of asphalt in the USA, the ideal platform to seize *business* opportunities not only in the USA but, more generally, in the American continent. The transaction in question received the XXIII edition 2017 M&A Award as the best Italian acquisitions abroad.

In 2017, the Group has delivered some significant public works, such as in particular: the Tokwe Mukosi dam in Zimbabwe, that marks a major turning point in the plans of the local government to react to the present and future demand for water resources, the Gabes-Sfax stretch of the Sfax Nord-Sfax Sud-Mahres motorway that is part of the Mediterranean axis of the trans-Maghreb motorway, an international plan that will link Mauritania, Morocco, Algeria, Tunisia, and Libya.

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

## 1 ISSUER PROFILE

The Company adopted a Code of Ethics that contains the general principles and values that inspire the Issuer's and Group's activities, both internally and with third-parties: A tool designed to safeguard, guarantee and protect the Group's assets and reputation.

The Company's Code of Ethics is published on the company's website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "*Governance - Governance System - Code of Ethics*" section.

On the 16<sup>th</sup> of June 2016, the Company also adopted an Anti-Corruption Model, a further and important tool for implementing the Company's internal Control and Risk Management System, which aims at strengthening pre-existing prevention protocols and at expressly stating the need to abide by applicable international regulations, especially the FCPA-Foreign Corrupt Practices Act and the UKBA-UK Bribery Act.

The Anti-Corruption Model is published on the company's website <http://www.salini-impregilo.com> in the "*Governance - Internal Control and Risk Management - Anti-corruption*".

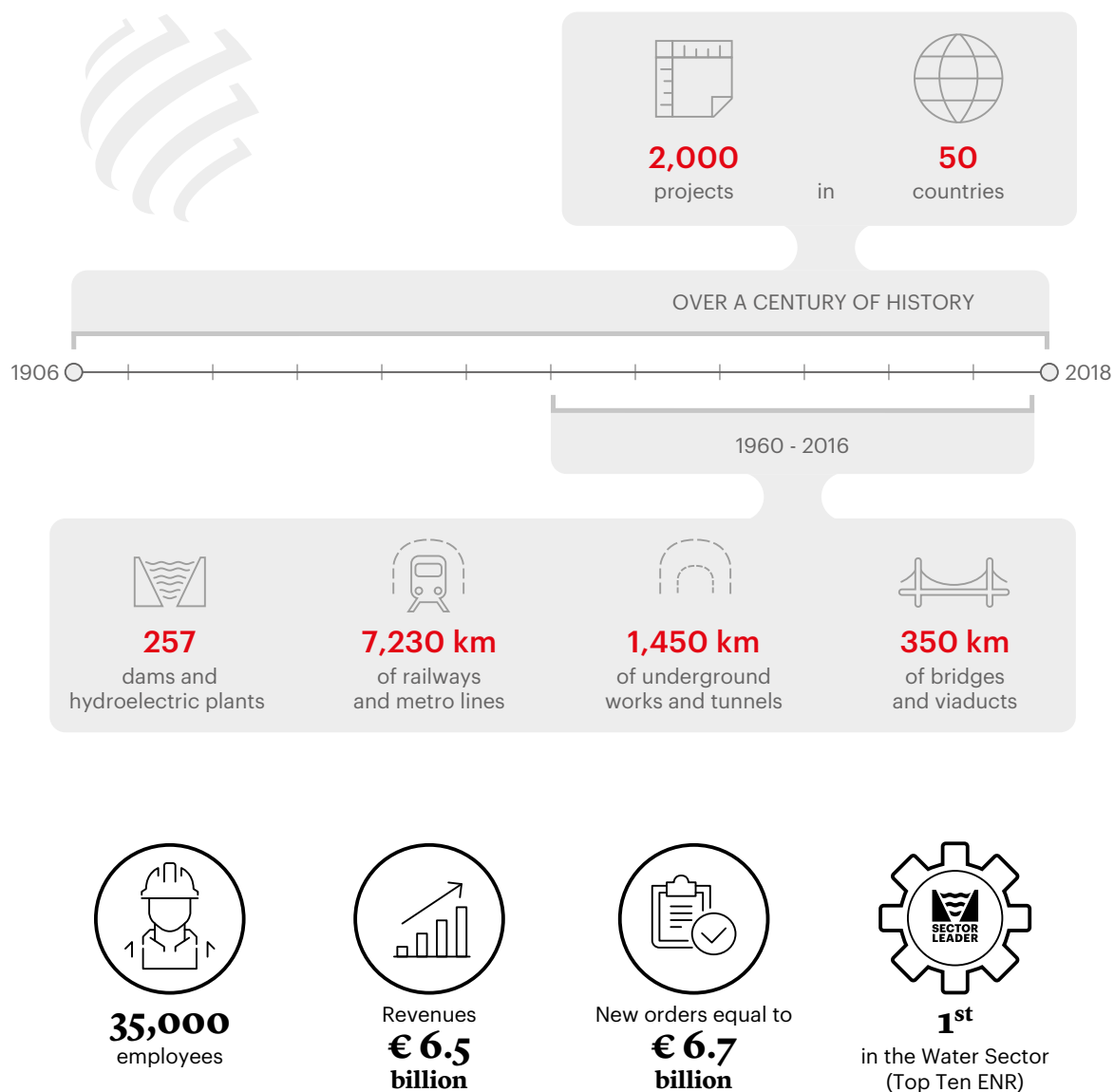
Salini Impregilo also ascribes significant importance to Corporate Social Responsibility. To that end, Salini Impregilo adheres to the United Nations Global Compact, the global initiative aimed at promoting a sustainable global economy, by respecting human and work rights, environmental safeguard and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

The Sustainability Report of Salini Impregilo containing within which are the actions and implemented systems to integrate the ten ethical principles of the Global Compact in the company strategy and in the Company's daily activities, is published in the Annual Financial Report.

The Final Report, 2017 Edition, of the Observatory on Corporate Governance Excellence in Italy published by The European House – Ambrosetti, has placed Salini Impregilo in the first position with respect to excellence of the Corporate Government of Italian companies, Mid-Cap segment – industrial sector.

From this report, the Company, in particular, emerged as leader with regard to the reward mechanisms adopted, which, along with the important share of independent directors and Control Systems and risk management, prove the attention and commitment of the Society towards the adoption and implementation of an effective governance system oriented towards transparency and a relationship of mutual trust with its own stakeholders.

## Track Records



## 2 INFORMATION ON THE OWNERSHIP STRUCTURE (ARTICLE 123-BIS.1 OF THE TUF) AS AT MARCH 23, 2018

### a) Share capital structure (Article 123-bis. 1.a) of the TUF)

The share capital of Salini Impregilo is **€544,740,000.00** fully paid up, divided into 493,788,182 shares, of which 492,172,691 **ordinary shares** and 1,615,491 **savings shares**, all without par value<sup>2</sup>. The Company's shares are listed on the Mercato Telematico Azionario (electronic stock exchange) managed by Borsa Italiana S.p.A. They are not to be sold separately, are registered and are included within the centralised system managed by Monte Titoli S.p.A.

Every ordinary share issued by the Company assigns the right to vote in every Ordinary and Extraordinary Shareholders' Meeting of the Company, as well as the other administrative rights that are provided for by the applicable legal dispositions and Bylaws.

To date, there are no other types of shares.

Share Capital Structure			
	No. of shares	% of c.s.	Share Capital
Ordinary shares	492,172,691	99.67	MTA
Saving shares	1,615,491	0.33	MTA

To date, Salini Impregilo has not issued other financial instruments that give the right to subscribe newly issued shares.

The Issuer has a share-based incentive plan in place in the form of Performance Shares, approved by the Shareholders' Meeting of April 30, 2015, which ends with the adoption of the budget of December 31, 2017. It provides for allocation, free of charge, to the beneficiaries of this plan, subject to the achievement of certain goals determined by the Board of Directors, of shares already in circulation and in the Company's portfolio (or subsequently purchased) or, at the discretion of the same, of newly issued shares pursuant to Article 2349 the Italian Civil Code.

<sup>2</sup> The shareholders eliminated the nominal amount of the ordinary shares and savings shares in the extraordinary session of the Shareholders' Meeting on October 12, 2004.

For further information on this point, please refer to the Information Document issued in accordance with Article 84-bis of the Consob's Issuers Regulation, published on the company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance – Shareholders' Meeting" section as an annex to the fourth item on the Ordinary Shareholders' Meeting of April 30, 2015, as well as the 2018 Remuneration Report published on the company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "*Governance – Governance System - Corporate Governance Report*" section, and in the "*Governance - Shareholders' Meeting*" section, in relation to the next Shareholder's Meeting, to be held on April 30, 2018.

**b) Restrictions on the transfer of securities (Article 123-bis.1.b) of the TUF)**

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

**c) Significant investments in share capital (Article 123-bis.1.c) of the TUF)**

Based on the statements made in accordance with Article 120 of the TUF and further information held by the Issuer, shareholders with investments exceeding 3% of the Issuer's ordinary share capital are currently:

Significant investments in share capital		
Declarant	Direct shareholder, if other than the declarant	% of ordinary shares
Salini Simonpietro	Salini Costruttori S.p.A.	66.876 %
	Salini Simonpietro	0.836 %

**d) Securities carrying special rights (Article 123-bis. 1.d) of the TUF)**

Salini Impregilo has not issued any securities with special control rights. The company's Bylaws do not contain any provisions on multiple or majority voting rights.

**e) Employee share ownership schemes: mechanism for the exercise of voting rights (Article 123-bis. 1.e) of the TUF)**

The Performance Share Plan referred to in point a) above of this section does not envisage any specific mechanisms for the exercise of voting rights, where this is not directly exercised by the employees themselves.

### **f) Restrictions on voting rights (Article 123-bis. 1.f) of the TUF)**

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

### **g) Shareholder agreements (Article 123-bis. 1.g) of the TUF)**

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

### **h) Change of the control clause (Article 123-bis. 1.h) of the TUF) and Bylaws provisions concerning takeover bids (Article 104.1-ter and Article 104-bis.1)**

The Issuer and its subsidiaries have entered into some agreements of a financial nature or contracts, which by taking effect, amend or terminate in the event of a change of shareholders controlling the Issuer. Disclosure of the specifics contained in the agreements could cause serious damage to the Company and its subsidiaries.

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

### **i) Delegated powers regarding share capital increases and to authorize the purchase of own shares (Article 123-bis.1.m) of the TUF)**

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

Article 7 of the Bylaws, for the purposes of granting the Board of Directors: (i) the power to increase share capital, on one or more occasions and, in any event, in tranches, with the exclusion of option rights pursuant to Articles 2443 and 2441.4, second sentence, of the Italian Civil Code, namely against payment and in cash, by issuing, also in tranches, a number of ordinary and/or savings shares that does not exceed 10% of the total number of Salini Impregilo shares outstanding on the date that the Delegated Power is exercised, and in any case for a nominal amount that does not exceed €100,000,000.00 (one hundred million) and with the said Board being able to establish an additional price; (ii) the power, pursuant to Articles 2443 and 2420-ter of the Italian Civil Code, to increase share capital, on one or more occasions and, in any event, in tranches, against payment or for free, for a maximum nominal amount of €200,000,000.00 (two hundred million) and to allow convertible bonds for a maximum amount equal to €400,000,000.00 (four-hundred million), even with the exclusion of the pre-emption right pursuant to Art. 2441.4, first part (i.e. to issue new ordinary

and/or savings shares to be paid through contribution in kind) and/or paragraph 5 (i.e. when the interest of the company so requires) of the Italian Civil Code, (iii) the power, pursuant to Art. 2443 of the Italian Civil Code to increase share capital, on one or more occasions and, in any event, in tranches, against payment, also with the exclusion of the option right pursuant to Article 2441.5 (i.e. through the issue of new shares to be offered to individuals – including directors, contract workers and/ consultants – in respect of which there is no employee-employer relationship with the company and/or its subsidiaries and/or parent companies), paragraph 6 and/or 8 (i.e. through the issue of new shares to employees of the company and/or its subsidiaries and/or parent companies) of the Italian Civil Code and/or to increase share capital, free of charge, pursuant to Article 2349 of the Italian Civil Code, (i.e. through the issue of new shares to offer free of charge to employees of the company and/or its subsidiaries drawn from the profits or profit reserve), for a maximum nominal fee of € 30,000,000.00 (thirty million) to service the remuneration plans based on financial instruments pursuant to Article 114-bis of the TUF.

These proxies can be exercised by the Board of Directors by April 29, 2020.

With regard to what has not be mentioned here, please refer to the Directors' Report and to the minutes of the Shareholder's Meeting of April 30, 2015, published on the company website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the “*Governance - Shareholders' Meeting*” section, in the documentation concerning said extraordinary meeting of April 30, 2015.

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

In performance of the purchase Plan of treasury shares approved by the Ordinary Shareholders' Meeting of the September 19, 2014<sup>3</sup>, which expired without renewal on March 19, 2016, the Issuer acquired and holds to date no. 3,104,377 treasury shares, equal to 0.631% of the ordinary share capital and 0.629% of the total share capital.

The Board of Directors, in light of the above-mentioned Ordinary Shareholders' Meeting on September 19, 2014<sup>3</sup>, is authorized to sell and/or in any event dispose of all the treasury shares held without any time limit using any of the methods allowed by the prevailing applicable regulations (also through subsidiaries) at a sale price to be established from time to time. The Board of Directors, as at the present date, has not sold any of its treasury shares.

<sup>3</sup> On September 19, 2014, the Salini Impregilo Shareholder's Meeting authorised the Board of Directors to purchase treasury shares with a view to medium/long term investment, aiming at (i) to equip ourselves with a portfolio of treasury shares of which we can avail ourselves in the context of potential extraordinary (ii) to equip ourselves with a portfolio of treasury shares to service the remuneration planes and the retention of the management and of the personnel, as well as (iii) to act in the market supporting the liquid security and aiming to its stabilization in the presence of unusual performances in the context of the provisions of the market practices. The authorisation was resolved for a maximum period of 18 months from the date of the Meeting (therefore, until March 19, 2016).



## 2 INFORMATION ON THE OWNERSHIP STRUCTURE

With regard to the shares to be allocated (taking them from the treasury shares in the portfolio) due to the expiration of the 2016-2017 Performance Share Plan, please refer to the Report on Remuneration and to the Information to the Public pursuant to art. 84-bis, comma 5, of the Issuers' Regulation published on March 15, 2018, available on the company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Press Releases" section.

For everything not mentioned here, please refer to the Directors' Report prepared pursuant to Article 73 of the Consob Issuers' Regulation and the minutes of the Shareholders' Meeting of September 19, 2014, published on the company's website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "Governance - Shareholders' Meeting" section, in the documentation of the Shareholders' Meeting of September 19, 2014. The Board of Directors, as at the present date, has not sold any of its treasury shares.

### I) Management and coordination (Article 2497 et seq of the Italian Civil Code)

The Company is subject to the management and coordination of Salini Costruttori S.p.A., as confirmed by the Board of Directors on December 12, 2013.

The information required by Article 123-bis.1.i) of the TUF ("*agreements between companies and their directors... that provide for compensation in the case of their resignation or dismissal without just cause or if their relationship is discontinued following a takeover bid*") is set out in the 2018 Remuneration Report published pursuant to Article 123-ter of the TUF, according to the terms provided for by the Law.

The information required by Article 123-bis. 1.l) of the TUF ("*the rules applicable about the appointment and replacement of directors... and changes to the Bylaws, if different to those provided for by law and regulations applicable on a substitute basis*") is disclosed in the section on the Board of Directors in this report (section 4.1).

## 3 COMPLIANCE (ARTICLE 123-BIS.2.A) OF THE TUF)

### 3.1 Adherence to the Corporate Governance Code

Salini Impregilo adheres to the Corporate Governance Code approved in March 2016 (whose last amendment dates July 9, 2015) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, and publicly accessible on the website of the Corporate Governance Committee at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/>

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

—

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

## 4 BOARD OF DIRECTORS

### 4.1 Appointment and substitution (ex article 123-bis.1, Letter I), TUF)

#### Composition and Appointment of the Board of Directors

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

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

#### 4 BOARD OF DIRECTORS

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

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

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

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

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

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

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

Consob established a percentage of 1% for the presentation of lists for the election of the directors and statutory auditors of Salini Impregilo, pursuant to the TUF and the Issuer Regulation in its resolution no. 20273 of January 24 2017. 144-quater of the Consob Market Regulations.

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

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

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

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

During the Board of Directors meeting one must proceed as follows:

If at least one list obtains a number of votes representing at least 29% of the Company share capital entitled to vote at the ordinary shareholders' meeting, all Directors except one shall be taken from the list with the highest number of votes, in the progressive order in which they are shown on the list, while the remaining Director shall be taken from the minority list that has obtained the highest number of votes and is not connected in any way, even indirectly, with the shareholders who filed or voted the list that obtained the largest number of votes.

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

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

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

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

If, with the candidates elected in the above-described manner, the necessary number of Directors belonging to the less represented gender or the minimum number of directors meeting the independence requirements established by law is not ensured, depending on the

#### 4 BOARD OF DIRECTORS

number of members of the Board of Directors compliant with the regulations in force at any time, the candidate elected last in sequential order in the list receiving the highest number of votes shall be replaced by the first candidate, as appropriate, of the less represented gender and/or meeting the independence requirements provided for by law, not elected from the same list according to the sequential order.

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

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

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

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

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

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

#### **Replacement of Directors**

Pursuant to Article 20 of the Bylaws, if, during the year, one or more directors leave, as long as the majority is always composed of Directors appointed by the Board, the Board of Directors shall replace them pursuant to Article 2386 of the Italian Civil Code, appointing candidates from the list to which the former director belonged, in consecutive order, and who are still eligible and willing to accept the position. Directors who have left office are always replaced: (i) ensuring the presence of the necessary number of directors with the independence requirements established by law and (ii) in compliance with the applicable legislation on gender equality. If the majority of Directors appointed by the Shareholders' Meeting cease to be in office, the remaining Directors shall be deemed to be no longer in

office, effective as of the date when the Board of Directors is reconstituted through election by the Shareholders' Meeting.

### **Non-competition pursuant to Art. referred to in Article 2390 the Italian Civil Code**

Under Article 26 of the Statute, unless otherwise resolved by the Shareholders' Meeting, Directors are not subject to the veto referred to in Article referred to in Article 2390 the Italian Civil Code.

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

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

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

The remuneration of directors with special duties is determined by the Board of Directors after consultation with the Board of Statutory Auditors.

For further information regarding the remuneration of the Board of Directors, please refer to the 2018 Remuneration Report, which will be published in the terms provided for by the law.

### **Succession Plans**

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

The current Plan - which has been approved by the Board of Directors on March 19, 2014, and confirmed, finally, on February 21, 2018, - following a previous preliminary assessment made by the Compensation and Nominating Committee - envisages the applicable procedures to guarantee a continuity of the corporate management in any case where the CEO leaves office before his/her mandate has reached its normal term, even by taking every necessary decision for the present immediate situation, ascribing adequate proxies and powers to the Chairman. The plan consists of: (i) compliance with provisions contained within the comment to Art. 5 of the Code with regard to providing a clear definition of targets, tools and timings of the process, the Board's involvement and a clear division of responsibilities, starting from the preliminary investigation (ii) compliance with the Bylaws concerning the replacement of Directors ceasing to hold office; (iii) compliance with the regulations approved by the Board of Directors concerning the maximum number of positions that can be held in other

companies pursuant to criterion 1.C.3 of the Code; (iv) compliance with the principles set forth in criterion 2.C.5 of the Code concerning “*cross directorship*”; (v) competence and experience requirements of the individual to be appointed; (vi) a balance between enhancing internal management skills (though a structured management assessment procedure) and opening to the market.

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

The role of the Compensation and Nominating Committee is to assess, on an annual basis, whether to revise the Plan. However, the Board of Directors has the power to (i) call on, whenever it wishes, the Compensation and Nominating Committee to propose a revision of the plan providing guidelines or (ii) to revise the plan directly. The Compensation and Nominating Committee, during the meeting of February 21, 2018, resolved that the Plan does not need a revision. The Board held on that date approved and embraced the assessment of the Compensation and Nominating Committee.

#### **4.2 Composition (Article 123-bis.2. letters d) and d-bis) of the TUF)**

The Salini Impregilo Shareholders' Meeting held on April 30, 2015, appointed the new Board of Directors for three years, and therefore until the Shareholders' Meeting for approval of the financial statements at December 31, 2017, based on the applications submitted by means of the following 2 lists.

- 1) Majority list submitted by the shareholder Salini Costruttori S.p.A., containing 14 candidates for the office of director of the Company, in the persons of:
  - Marina Brogi
  - Giuseppina Capaldo
  - Mario Giuseppe Cattaneo
  - Roberto Cera
  - Laura Cioli
  - Claudio Costamagna
  - Alberto Giovannini
  - Nicola Greco
  - Pietro Guindani
  - Geert Linnebank
  - Giacomo Marazzi
  - Franco Passacantando
  - Laudomia Pucci
  - Pietro Salini

These candidates were all elected with the favorable vote of approx. 86.53% of the voting capital.

2) Minority list submitted by the law firm Trevisan & Associati on behalf of shareholders who jointly held 1.18% 5,801,923 shares of the Company's share capital, with the following two candidates for the office of director of the Company:

- Marco Bolgiani
- Angelo Busani

The first candidate of the minority list, Marco Bolgiani, was elected with the favorable vote of 11.77% of the voting capital.

On July 14, 2015, Claudio Costamagna resigned as Director (non-independent, non-executive) and Chairman of the Company's Board of Directors, accordingly also to the office of the same as a member of the then existing Executive Committee being forfeited.

The Board of Directors, which met on the same date, therefore:

- appointed, as the new Chairman of the Board of Directors, Alberto Giovannini, former Director of the Company, who, on the same date, resigned from his position as Chairman and member of the Committee for Related Party Transactions;
- reduced the composition of the then existing Executive Committee from 5 to 4 members.

On February 24, 2016, the independent and non-executive Director Laura Cioli resigned as Director of the Issuer by virtue of offices held in other companies.

On March 16, 2016, the Board of Directors appointed as Director, pursuant to Article 2386 of the Italian Civil Code, Grazia Volo, non-executive and non-independent director, replacing Claudio Costamagna, who will remain in office until the next Shareholders' Meeting. On the same date the Board also called the Shareholders' Meeting for the appointment of two Board Members.

The Ordinary Shareholders' Meeting of April 28, 2016, therefore appointed Alessandro Salini and Grazia Volo as new Directors until the meeting held to approve the financial statements as at December 31, 2017.

The Board of Directors that was held on this day verified the non-existence of the independence requisites both in terms of the TUF, and as regards the Corporate Governance Code.

No further change to the Board of Directors or its committees has been made since year end.



#### 4 BOARD OF DIRECTORS

The Board of Directors, in its present composition, is therefore composed of:

##### ***The Board of Directors***

<b>Alberto Giovannini</b>	Chairman
<b>Pietro Salini</b>	Chief Executive Officer
<b>Marco Bolgiani</b>	Independent Director
<b>Marina Brogi</b>	Independent Director
<b>Giuseppina Capaldo</b>	Independent Director
<b>Mario Giuseppe Cattaneo</b>	Independent Director
<b>Roberto Cera</b>	Director
<b>Nicola Greco</b>	Independent Director
<b>Pietro Guindani</b>	Independent Director
<b>Geert Linnebank</b>	Independent Director
<b>Giacomo Marazzi</b>	Independent Director
<b>Franco Passacantando</b>	Independent Director
<b>Laudomia Pucci</b>	Independent Director
<b>Grazia Volo</b>	Director
<b>Alessandro Salini</b>	Director

The curricula with the personal and professional information of each Director is available on [www.salini-impregilo.com](http://www.salini-impregilo.com), in the “*Governance – Board and Committees*”.

Further information concerning the composition of the Board of Directors at end of Year can be seen in Table 1, which is attached to this Report.

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In the light of the expiry of the Board of Directors Approval of the Annual Financial Statements as at December 31, 2017, the April 30, 2018 Meeting of Salini Impreglio shall appoint a new Board of Directors for the 2018-2020 three-year period, with the appointment of the Chairman and the assignment of remunerations. For further information, please refer to see the Board of Director’s Report, published on the company website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the: “*Governance – Shareholders’ Meeting*” section, in the documentation regarding the Ordinary Shareholders’ Meeting called on April 30, 2018.

### **Diversity Policies in the composition of the Board of Directors**

In compliance with the provisions of Art. 10 of Lgs. D. no. 254/2016, and of Art. 123-bis, paragraph 2, letter d-bis), of the TUF, the policies adopted by the Company relating to matters of gender, age and educational and professional background diversity of the Board of Directors, is hereunder illustrated.

The Board of Directors shall define these Policies, upon previous preliminary investigation of the Compensation and Nominating Committee, and upon hearing the Independent Directors, also using the annual Board Evaluation tools (to seize upon the Directors' orientation for the Shareholders at the time of the renewal of their offices. The objectives of the Diversity Policies are represented by the increased effectiveness of the operation of the management body, considering the specificities of the Group's business.

### **Policies on the matter of gender diversity**

The composition of the Board of Directors complies with the provisions of the law with regard to gender quotas.

#### 4 BOARD OF DIRECTORS

In line with the provisions of Law no. 120/2011 and of the 2012 Consob Resolution no. 18098, the Company, in fact, introduced in its Bylaws specific provisions aiming at enduring a balanced scope in terms of **gender** in the composition of the Board of Directors.

In particular, the Board of Directors:

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

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

On April 30, 2015, during the first renewal of the Board from the date of entry into force of the above-mentioned Law no. 120/2011<sup>4</sup>, the Salini Impregilo Board of Directors Meeting nominated four female directors. This number, exceed the minimum required by law.

<sup>4</sup> The law provides for the less represented gender to obtain, on the first renewal of the Board, starting from August 12, 2012 (date on which the aforesaid law entered in to force), at least one fifth of the elected Directors and at least one third in the following two mandates.

**Figure 1: Gender diversity in the Salini Impregilo S.P.A. Board of Directors**

Gender diversity	
Female gender	27 %
Male gender	73 %

**Policies on the matter of age diversity**

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

The current diversity of age of the Board of Directors is shown in Figure 2. It is believed appropriate from the Board of Directors, according to the results of the Board Evaluation with regards to the year of activity 2017.

**Figure 1: Age diversity in the Salini Impregilo S.P.A. Board of Directors**

Age diversity	
41 - 50 years	14 %
51 - 60 years	33 %
61 - 70 years	40 %
Over 70 years	13 %

### **Policies on the matter of diversity of the educational and professional background**

As to the **diversity of the educational and professional background**, this aspect is also evaluated by the Board Evaluation for the purpose of a possible presentation of a list of candidates for the office of Director (in case the outgoing Board of Directors were to avail itself of such faculty, pursuant to Art. 20 of the Bylaws), or for the purpose of the development of the Board of Directors' orientation towards the Shareholders' Meeting - on the renewal of company positions, according to Application Criterion 1.c.1. letter h) - on managerial professional positions whom position in the Board is deemed appropriate. The Company shall also ensure, by the Board of Directors, through training sessions of the Induction Program described in the Report, the continuous training and information on the main issues relating to the assets of the Group.

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

For what is not listed here, please refer paragraph 4.3 in terms of Board Evaluation, in Chapter 7-8 regarding the activities of the Remuneration and Nomination Committee regarding the nominations as well as the Board of Directors' orientation, published on the company website in the "*Governance - Shareholders' Meeting*", in the documentation concerning the Ordinary Shareholders' Meeting called on April 30, 2018.

### **Maximum Number Of Positions Held In Other Companies**

The Board of Directors of February 23, 2017, if we consider "significant companies":

- a. Italian companies listed on Italian or other EU state regulated markets and the companies issuing financial instruments to the public in significant quantities pursuant to Art. 116 of the TUF;
- b. banks, financial brokers pursuant to Article 107 of Legislative Decree no. 385 of September 1, 1993, stock brokerage companies pursuant to Article 1.1.e) of the Consolidated Act (TUF), variable capital investments companies (OEICs) pursuant to Article 1.1.i) of the TUF, fund management companies pursuant to Article 1.1.o) of the TUF insurance companies pursuant to Article 1.1.s), t) and u) of Legislative Decree no. 209 of September 7, 2005, set up as companies as per paragraphs V, VI and VII, section V, chapter V of the Italian Civil Code not listed on Italian or EU state regulated markets;
- c. companies as per paragraphs V, VI and VII, section V, chapter V of the Italian Civil Code that individually or collectively at group level, if they prepare consolidated financial

statements, show: i) revenue from goods and services of more than €500 million; or ii) assets of more than €800 million,

ruled, confirming the preceding orientation, with regards to the cumulation of the offices held in other companies from December 12, 2017, that the maximum number of administrative and controlling positions that directors of Salini Impregilo can hold in other significantly big companies is equal to:

- 4 (four) positions, with regard to Executive Directors;
- 6 (six) positions, with regard to non-executive directors members of the executive committee, should this be established;
- 8 (eight) positions, with regard to non-executive directors members of the executive committee, should this be established.

In order to calculate the number of positions:

- positions in companies that are directly and/or indirectly controlled by Salini Impregilo are not to be considered;
- positions in companies that directly and/or indirectly control Salini Impregilo S.p.A. or that are subject to the direct and/or indirect control of Salini Impregilo are not to be considered;
- positions as alternate statutory auditor are not to be considered;
- positions held in significant sized companies belonging to the same group which is not that of the Issuer are considered to have the following “weight”:
  - first position: 1
  - second position: 1.5
  - from three up: 2

Should a director be offered new positions that would lead to their exceeding the above ceilings, they shall promptly inform the Board so that it can grant waivers (also temporary ones) to the maximum number of positions set in this rule, motivating the waiver. The waiver shall be adequately documented. It shall be described in the company’s corporate governance report together with the reasons thereof.

The Board of Directors of February 21, 2018, prior to a preliminary investigation of the Compensation and Nominating Committee, verified that the Board’s composition complies with the above-mentioned general criteria. During the Financial Year, the Board was not in itself called upon to rule on any derogation on the maximum number of posts.

### Induction Program

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

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

During 2017, an in-depth session was held for directors and statutory auditors regarding the reference regulatory framework, particularly with regard to Market Abuse (Regulation UE no. 586/2014 and Consob Guidelines for the Management of Privileged Information). This session has been carried out with the participation of Directors and Statutory Auditors, and a specialized lawyer.

An induction meeting was held during the course of the year concerning the Group's positioning in the global market.

### 4.3 Role of the Board of Directors (Article 123-bis.2.d) of the TUF)

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

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

The Board of Directors may thus resolve to establish or close branches in Italy or abroad, reduce the share capital in the event of a shareholder withdrawal, amend the Bylaws to comply with changes in legislation, transfer the registered office within Italy, and carry out a merger and spin-off, in compliance with the provisions of Articles 2505 and 2505 bis of the Italian Civil Code.

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

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

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

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

Salini Impregilo's Board of directors met 13 times in 2018; on average, each meeting lasted one and a quarter hours. Please see Table 1, attached to this Report, for information on the percentage of meetings attended by each director during the year.

The 2018 financial year calendar (available on the website [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "Governance - Corporate Events" section) envisages 4 meetings of the Board of Directors. Three other Board meetings were held in 2018, besides the scheduled meetings.

The Board, as part of the self-assessment process carried out in 2017, acknowledged that the Chairman, assisted by the board secretary, has provided the directors with the available documentation and information about the issues to be discussed before each meeting so that they can be prepared beforehand, and to have ensured their confidentiality through specific safeguarding measures for the Directors and Statutory Auditors to access documentation.

In particular, the timing of the activities observed in the year 2017 for the provision of the documentation preparatory to the board and the committee meetings is the following:

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



- **Five – Two days before the meeting:** documentation of point (iii). In cases where, for emergency reasons or for the Issuer's particular requirements, the documentation has been provided in a shorter time, an in-depth deep and appropriate discussion of the matters during board and committee meeting was carried out. According to the outcomes of the 2017 Board Evaluation, the Board of Directors deemed the premeeting information complete and reasonable. In particular, the Independent Directors judged the information flows from the Delegate of the Board of Directors to be satisfactory.

The above-mentioned timing, considered to be reasonable, has been approved by the Board of Directors as target time also for future Board of Directors activities.

The documentation concerning the activities carried out by the Board of Directors and by its Committees established within it, is ensured maximum confidentiality and can only be accessed by specific information systems by Directors and Statutory Auditors.

The board meetings were usually attended by the secretary and the manager in charge of financial reporting. When appropriate, experts and managers of the Issuer and its group companies also participated, depending on the matters to be discussed, to ensure the proper and profitable working of the meetings and to provide any in-depth information necessary. In particular, during the year, the following people participated in the meetings of the Board of Directors: (i) the Director of the Administration Finance and Planning department with regard to matters pertaining to the Impairment Test and to the approval of periodical financial reports, (ii) the Director of the Internal Audit and Compliance department with regard to the 2017 and 2018 Audit Plan.

The Chairman ensured that the items on the agenda were each allowed enough time to guarantee their complete and constructive discussion and to analyze the supporting documentation, including the information provided before each meeting. Directors expressed their positions and contributed to the meetings.

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#### **The activities of the Board of Directors during 2017**

During 2017, the Board of Directors, beyond what has been represented in this Report, carried out the following activities:

- in order to further strengthen the Group's debt profile, resolved a refinancing transaction of the debt by placing a long-term corporate bond issue of the Company, with an overall amount of more than one million through, inter alia, the issue of a bond reserved for institutional investors, for an overall nominal amount of €500 million, listed on Dublin's Irish Stock Exchange;
- it approved the half-year financial and regular report, on a voluntary basis, relative to the first and the third quarter;

- approved, without prejudice to the independent determinations necessary by the relevant corporate bodies of the subsidiaries, some transactions of rationalization of the corporate structure of the Group, with particular regard to the merger by incorporation in Salini Impregilo of the wholly owned subsidiary SGF INC S.p.A.

The Board of Directors also:

- pursuant to criterion 1.C.1, letter C) of the Italian Civil Code and after a positive feedback of the Risk Control Committee, who examined the assessments that were carried out by the Internal Audit assessed the adequacy of the organizational, administrative and accounting structure of the Issuer and of its subsidiaries that are strategically significant for Impregilo International Infrastructures N.V. and Lane Industries Incorporated Ltd, with particular reference to the internal control and Risk Management System;
- with regard to Criterion 1.C.1. letter e of the Italian Civil Code, during institutional meetings, assessed the general performance of the management system even with regard to programmed targets, also by particularly considering, the information received by the delegated bodies.

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### **Board Evaluation concerning 2017**

Pursuant to Application Criterion 1.C.1, letter g) of the Code, the Issuer follows, in reference to the Financial Year, a procedure structured to carry out the Board Evaluation activity which provides for:

- (i) the preliminary investigation of the Compensation and Nominating Committee for the identification of the modalities through which proceed to the Board Evaluation, also with respect to the year of reference;
- (ii) sharing the assessment of this Committee, with regard to Board Evaluation, with the Independent Directors, during an ad-hoc meeting;
- (iii) the use of an evaluation questionnaire, approved by by the Board of Directors, on a proposal from the Compensation and Nominating Committee;
- (iv) the involvement of the Internal Audit function to collect the results of the questionnaire in such a way as to guarantee the anonymity of the advisors;
- (v) the verification of the results of the Board Evaluation by the Internal Audit function that provides the analysis of the indications and comments derived from the process of the questionnaires;
- (vi) the predisposition by the Internal Audit Function of a report for the Board of Directors on the results of the Board Evaluation;
- (vii) the discussion, by the Compensation and Nominating Committee, of the Independent Directors, in an ad-hoc meeting, of the results of the Board Evaluation during an ad-hoc meeting with formulation of improved proposes and verification of the follow ups regarding the solutions previously identified;
- (viii) the discussion, by the Board of Directors, of the main results of the Board Evaluation.

#### 4 BOARD OF DIRECTORS

To carry out self-assessment activities, no external consultant was used. Vice versa, internal structures have been used with particular regard to the Internal Audit and Compliance Department that provides the collection of the completed questionnaires and to the processing, in aggregated mode and with protection of the anonymity, of the results, referring to the Compensation and Nominating Committee.

During the Board meeting that was held on February 21, 2018, based on what was analyzed by the Compensation and Nominating Committee on the same date, the 2017 self-assessment results were examined, also in order to use the same processing of a Board of Directors orientation in the Meeting of the renewal of the Board of Directors itself. From the mentioned analysis, in short, the following emerged:

- the composition of the Board is such that each Director has adequate professional experience, both in management and at an international level, in the various issues providing the greatest support to the activities of the corporate bodies, including technical, economic, financial and legal issues. Thanks to this combination of professional experience, the Board of Directors has fulfilled and will continue to fully discharge all of its functions and duties;
- the documentation and information available on the issues to be discussed have been provided to the directors in a clear and comprehensive manner, ensuring sufficient confidentiality of the pre-board meeting information, in adequate time before each meeting. The directors participate in the work of the Board appropriately, and actively contribute to the discussion and decisions taken;
- the number of board meetings held, their duration, interval and frequency appear to be adequate;
- the issues to be resolved by the Board of Directors have been thoroughly examined and the empowered bodies have provided information to the Board of Directors on the activities carried out in exercising the powers conferred upon them;
- the directors take part in initiatives aimed at increasing their awareness of the company's situation and dynamics, also with respect to the relevant legislative framework;
- the number of independent directors is considered appropriate in relation to the composition of the Board of Directors and for the activities carried out by the company;
- in the performance of the duties of their office, the Board of Directors is supported by the internal committees. The dimensions, expertise and experience of these committees are such that they are able to effectively carry out their respective tasks.

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

Considering the above-mentioned results of the self-evaluation conducted, the Board of Directors, under the Criterion 1.C.1., letter h) of the Corporate Governance Code, in expectation of the expiry of the Board of Directors in office and of the expected renewal with

the approval of the Financial Statements of December 31, 2017, expressed, also taking into account the opinion of the Compensation and Nominating Committee, its own orientation of the shareholders related to the professional figures whose presence is judged appropriate by the Board, ensuring the policies relating to diversity of aspects such as age, gender and training and professional formation. The orientation is available on the Company's Internet website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the "*Governance - Shareholders' Meeting*" section, with respect to the documentation relating to the April 30, 2018 meeting.

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With respect to criterion 1.C.4. of the Code, Article 20 of the Bylaws provides that, unless otherwise resolved by the Shareholders' Meeting, Directors are not subject to the ban referred to in Article 2390 of the Italian Civil Code. In 2017 and 2018, to the present date, there were no critical issues or needs of an organizational nature that required a request to the Shareholders' meeting to make exemptions from the above-mentioned ban.

#### **4.4 Empowered bodies**

##### **Chief Executive Officers**

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

The Board of Directors appointed Pietro Salini as CEO on April 30, 2015. It gave him the legal power to represent the company and signatory powers with third parties and in court. He also has powers to manage the company (those powers for which the Board of Directors as in paragraph 4.3 do not detain an exclusive right) and may delegate responsibility for the organization and running of certain business activities.

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

As required by criterion 2.C.5, it should be noted that no interlocking directorate situation exists, given that the CEO does not hold directorships in any other Italian listed companies.

### **Chairman Of The Board Of Directors**

The Chairman is the company's legal representative and has signatory powers with third parties and in court pursuant to Article 28 of the Bylaws. The Chairman does not have special strategic decision-making powers.

The Chairman of the Board of Directors is not the chief executive officer, nor is he the majority shareholder of the Issuer.

### **Executive Committee (Article 123-Bis.2.D) Of The TUF)**

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

Currently, the Board of Directors has not established the Executive Committee.

### **Information to be provided to the Board of Directors**

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

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

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

### **4.5 Other Executive Directors**

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

#### 4.6 Independent Directors

The Issuer's Board of Directors is currently composed of the following 10 independent directors:

##### ***Independent Directors***

Marco Bolgiani
Marina Brogi
Giuseppina Capaldo
Mario Giuseppe Cattaneo
Nicola Greco
Pietro Guindani
Geert Linnebank
Giacomo Marazzi
Franco Passacantando
Laudomia Pucci





The Board, applying all the criteria provided for by the Corporate Governance Code, evaluated, at the first opportunity after its appointment and, therefore, on April 30, 2015, as well as subsequently on March 16, 2016, February 23, 2017 and February 21, 2018, the existence of the independence requirements provided for by the Code for each of the non-executive directors, applying all the criteria provided for by the Code itself, publishing the results of its evaluation, after the appointment, by means of a disclosure to the market and, further on, within the context of the report on the corporate governance.

The Issuer's **10** independent directors meet the independence requirements pursuant to both Articles 148, paragraph 3, letters b) and c) of the TUF and Criterion 3.C.1. of the Corporate Governance Code.

The Board of Statutory Auditors, in light of the Criterion 3.C.5. of the Code, checked the correct application of the criteria and procedures adopted to check independence by the Board. The outcome of such process will be communicated by the Board of Statutory Auditors to the market in its report to the shareholders.

With regard to criterion 3.C.6 of the Code, during the year a separate independent director meeting was held - and different to the ones held by Board committees. Said meetings were held, in particular, to support the Compensation and Nominating Committee, for Board Evaluation purposes.

When agreeing to their inclusion in the lists of candidate directors, independent directors have not agreed to maintain their independence throughout their term of office and, if necessary, to resign.

#### **4.7 Lead Independent Director**

As the requirements of the Criterion 2.C.5. of the Code are not met, the Board has not deemed it necessary to designate an Independent Director as Lead Independent Director.



## 5 HANDLING OF COMPANY INFORMATION

Pursuant to Criterion 1.C.1 letter j) of the Corporate Governance Code to guarantee to correctly handle company information, the Board of Directors held on February 21, 2018, approved an update of the “Procedure for the management of Privileged Information” which takes into account the new regulations introduced by the provisions contained in the Regulation (EU) No. 596/2014, in the Implementing Regulation (EU) No. 347/2016, in Consolidated Law on Finance, as in light of the above-mentioned provision, taking into account the “Guidelines on the Management of the Privileged Information” provided by Consob in October 2017.

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

- classification and rating of the privileged information;
- all parties involved in the process for identifying Privileged Information and managing the Register of Privileged Information;
- activating of the delay procedure;
- external communication;
- managing and maintaining the Privileged Information Register.

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

Held by directors and statutory auditors of Salini Impregilo, with reference to information and documentation obtained when carrying out their tasks, and more generally the contents of what has been said during the Board of Directors meetings and of the its internal Committees, the work that has been carried out by the Board of Statutory Auditors.

Likewise, the Procedure provides that the CEO holds the responsibility regarding the adoption of the decisions on the identification of the Privileged Information, the definition of the timing of publication of the above-mentioned, and the possible overdue activation of the Procedure.

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

The specific methods of implementation of the Procedure for the management of Privileged Information are indicated in further operational procedures whose purpose is to:

- regulate the management process of the Issuer's Register of Privileged Information, with the identification of the main involved subjects and their relevant responsibilities;
- define the steps of the process of communication with the outside, identifying the persons in charge of maintaining the relationships, the methods for the drafting of the information to communicate and the control tool available to monitor the entire process.

## **6 BOARD COMMITTEES (ARTICLE 123-BIS.2.D) OF THE TUF)**

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

For the Issuer, as it is subject to management and coordination by Salini Costruttori S.p.A., Article 37 of the Consob Markets Regulation and Principle 16, paragraph 1, letter d) of the Code also applies. According to these, subsidiaries subject to management and coordination by another company must have an internal control committee composed of independent directors. The foregoing also applies to the other committees recommended by the Corporate Governance Code, where established.

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

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

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

## **7-8 COMPENSATION AND NOMINATING COMMITTEE**

The Board on April 30, 2015, set up a Compensation and Nominating Committee, which in addition to the duties assigned under Article 6 of the Code to the Compensation Committee, also carries out the duties assigned to the Nominating Committee by Article 5 of the Code, as Code rules regarding the composition of the two committees have been complied with have been attainment of the objectives is guaranteed.

### **Composition and Duties of the Nominating Committee (Article 123-Bis.2.D) TUF)**

The Compensation and Nominating Committee meets whenever its Chairman deems it necessary, and in order to carry out its mandate, as there is no calendar for the year. It is coordinated by its Chairman.

The Compensation and Nominating Committee also meets at the justified request to its Chairman of at least two members of the Committee or of the Chairman of the Board of Statutory Auditors.

During the financial year, the Compensation and Nominating Committee met 9 times with meetings averaging roughly one hour.

Five meetings of the Compensation and Nominating Committee were held during the current financial year.

As regards the information concerning the percentage of participation of each component of the Compensation and Nominating Committee at the meetings held during the year, please refer to Table 1, attached to this Report.

Said Committee, as most recently appointed on April 30, 2015, as a result of the renewal of the Board of Directors by the Shareholders' Meeting, currently consists of the following independent directors:

***Compensation and Nominating Committee***

Chairman	Marina Brogi
	Nicola Greco
	Geert Linnebank
	Laudomia Pucci

The Board, having considered the personal and professional characteristics of the members of the Compensation and Nominating Committee, assessed that the current composition includes people with adequate financial knowledge and experience, even as regards compensation policies.

The Chairman, the CEO (in one occasion, for issues related to the compensation of the Key Management Personnel), the General Manager Corporate and Finance – Group CFO and Director Responsible for the drafting of corporate accounting documents (in 7 occasions), the Human Resources Director (in 6 occasions), the Group Risk Officer (in 2 occasions) and the other managers of the Issuer attended committee meetings upon invitation when the Committee deemed it necessary and appropriate for a more effective discussion of the items on the agenda. Directors abstained from intervening as regards the proposals made to the Board during Committee meetings concerning their compensation.

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

## **Duties of the Nominating Committee**

In its meeting of April 30, 2015, the Board of Directors resolved to give the Compensation and Nominating Committee the following duties, pursuant to Article 5 of the Code.

Therefore, the Compensation and Nominating Committee is, pursuant to Criterion 5.C.1. A and B of the Code vested with the following functions:

- the presentation to the Board of Directors of opinions about the Board's size and composition as well as recommendations about suitable Board members;
- the presentation to the Board of Directors of candidates when Directors need to be coopted or independent directors replaced.

In the light of the above, the committee also provides advice about the issues as per criteria 1.C.3 and 1.C.4 of the Code and the procedures for preparing a succession plan for the executive directors pursuant to criterion 5.C.2 of the Code.

## **Duties of the Committee with regard to Remuneration**

In its meeting of April 30, 2015, the Board of Directors resolved to give the Compensation and Nominating Committee the advisory and proposal functions, pursuant to Article 6 of the Code. Therefore, the Compensation and Nominating Committee is vested with the task of:

- presenting suggestions for approval to the Committee to define the Remuneration Policy of the executive directors, of the other Directors with specific roles and of Key Strategic Personnel, and the draft Remuneration report to present during the Shareholders' Meeting to approve the financial statements, within the time set by the Law;
- regularly assessing the adequacy, overall consistency and actual application of the general policy adopted for the remuneration of the Directors and Key Management Personnel; the latter's conduct is assessed based on the information provided by the CEOs; making the relevant proposals to the Board of Directors;
- presenting proposals or expressing opinions to the Board of Directors with regard to the remuneration of the executive directors and of the other directors who cover specific roles, and to the setting of performance targets connected to the variable component of said remuneration; monitoring the application of decisions adopted by the said committee verifying, in particular, that performance targets have actually been reached.

## Activities carried out by the Compensation and Nominating Committee during the year

During the year, the Compensation and Nominating Committee carried out a preliminary investigation, formulating proposals to the Board of Directors, with regard to the following topics.

- a) pursuant to Article 5 of the Code on **Nomination**, the preparatory activity on:
  - self-evaluation of Board of Directors for the 2016 financial year;
  - definition of the procedures through which provide for the Board Evaluation for the 2017 financial year;
  - review of the orientation on cumulation of positions, as well as the observance of the cumulation positions by the Directors;
  - auditing for the 2016 financial year of the Directors independence requirements.
- b) Pursuant to Article 6 of the Code on **Compensation**, the preparatory activity on:
  - final target parameters of the variable promotion plans of the CEO, of the General Managers and of the Key Management Personnel with regard to 2016;
  - definition of the target parameters of the variable promotion plans of the CEO, of the General Managers and of the other Key Management Personnel with regard to 2017;
  - informative ex art. 84-bis, paragraph 5, of the Consob Issuers' Regulation on the activities put in place for the implementation of the 2015/2017 Performance Share Plan;
  - definition of the 2017 Compensation Policy;
  - drafting of the Compensation Report of the ex Article 123-ter of the TUF with regard to 2016;
  - analysis of the votes registered by shareholders during the April 27, 2017 meeting with regard to the Compensation Policy;
  - policies relating to top management members' termination of employment relationship.

Among the main activities carried out by the Compensation and Nominating Committee following the end of year for 2017 and up to this day, the following things are to be mentioned:

- 1) on Nomination, pursuant to Article 5 of the Code:
  - a) the analysis of the results of the Board Evaluation with regard to 2017;
  - b) investigation on the auditing of the Directors' independence requirements, pursuant to Criterion 3.C.4. of the Corporate Governance Code;
  - c) investigation on Directors' compliance with the limits on the cumulation of positions;
  - d) taking into account the results of 2017 Board Evaluation, investigation on the

orientation of the Board of Directors on the managerial and professional positions whose presence is deemed appropriate with regard to the expiry, with the approval of the Financial Statement of the year ended 31 December 2017 of the Board of Directors of the Company;

- e) preliminary activity of the adaptation of the recommendations of the Corporate Governance Committee of December 13, 2017 and the provisions of Article 123 d) bis of the Consolidated Financial Act as modified by the D.Lgs. 254 of December 30, 2016;
- f) assessment of the missed need to update the Plan for the CEO's succession;

2) on Compensation, pursuant to Article 6 of the Code

- a) investigation on the final target parameters of the variable promotion plans of the CEO, of the General Managers and of the other Key Management Personnel with regard to 2016;
- b) investigation on the definition of the target parameters of the variable promotion plans of the CEO, of the General Managers and of other the Key Management Personnel with regard to 2017;
- g) investigation on the definition of the Remuneration Policy for 2017;
- h) investigation on the preparation of the Remuneration Report ex art. 123-ter of the TUF concerning 2017.

For further information concerning the activities carried out by the Compensation and Nominating Committee concerning remuneration, even after the end of year closure, please refer to the Remuneration Report for 2018, which will be published, pursuant to art. 123-ter of the TUF and will be made available, within the terms provided for by the regulations in force, on the company website [www.salini-impregilo.com](http://www.salini-impregilo.com) in the “*Governance - Governance Systems - Governance Reports*” and in the “*Governance - Shareholders Meeting*” sections in relation to the Shareholders' Meeting to be held on April 30, 2018, which will be published on the company's website, in compliance with the legal and regulatory terms.

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Minutes of its meetings are drawn up regularly.

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

On March 12, 2007, the Board of Directors resolved to give the Committee an annual budget of €25,000 to cover the costs of any necessary consultancy or other services required to carry out its duties. The prior authorization of outlays is not necessary although the Committee is required to detail its expenses. It may also avail of internal information and functions.

The Compensation and Remuneration Committee can use external consultants: during the year, there was no need to use them to carry out the tasks assigned to the Committee. The latter used the Issuer's means and structures to carry out its duties.

The Compensation and Nominating Committee approved, most recently on May 13, 2015, a regulation that envisages that works must be coordinated by the Chairman, that the Chairperson of the Board of Statutory Auditors or another Auditor named by him. Depending on the topics treated, the Chairman of the BoD, the CEO and other Directors, the Manager in charge of drawing-up corporate financial reports and other executive managers and external consultants of the Company.

During the year, the Chairperson of the Board of Statutory Auditors or another Statutory Auditor chosen by him participated in the Compensation and Nominating Committee. Other Statutory Auditors were also able to participate.

## 9 DIRECTORS' REMUNERATION

The information in this section is included in the 2018 Remuneration Report published pursuant to Article 123-ter of the TUF and will be made available, within the terms provided for by the Law, on [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "*Governance - Governance System - Shareholders' Meetings*" section and in the "*Governance - Shareholders' meeting*" section, with regard to the next Shareholders' Meeting to be held on April 30, 2018.

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

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



The incentive mechanisms for the Manager in charge of financial reporting are described in the 2018 Remuneration Report.

### **Compensation for Directors in case of resignation, dismissal, retirement or termination of the relationship following a takeover bid (Article 123-bis.1.i) of TUF)**

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

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

## **10 CONTROL AND RISK COMMITTEE**

As noted in Section 6 of this Report, the Board has set up a Control and Risk Committee.

### **Composition and Duties of the Control and Risk Committee (Article 123-Bis.2.D) of the TUF)**

The Control and Risk Committee, whose works are coordinated by its Chairman, meets whenever its Chairman deems it necessary, and in order to carry out its mandate, as no meeting calendar is envisaged for the year.

The Committee also meets at the justified request to its Chairman of at least two members of the Committee or of the Chairperson of the Board of Statutory Auditors.

During the financial year, the Control and Risk Committee met 13 times with meetings averaging roughly 2 hours.

Meetings of the Control and Risk Committee were held during the current financial year.

As regards the information concerning the percentage of participation of each component of the Control and Risk Committee at the meetings held during the year, please refer to Table 1 attached to this Report.

The Control and Risk Committee, is currently composed (as resolved during the Board of Directors meeting of April 30, 2015, is composed of the following independent Board Directors:

### **Control and Risk Committee**

Chairman	Mario Giuseppe Cattaneo
	Marco Bolgiani
	Giuseppina Capaldo
	Pietro Guindani
	Franco Passacantando

The Board, having considered the personal and professional characteristics of the members of the Control and Risk Committee, assessed that said Committee pursuant to Principle 7.P.4 of the Code, is entirely made of independent directors possessing experience in accounting and financial matters or risk management that was deemed adequate for the Board when they were appointed.

The Control and Risk Committee has its own regulation for its functioning. It envisages that works are coordinated by the Chairman, and that the Chairperson of the Board of Statutory Auditors or another Statutory Auditor appointed by him participates in the works carried out by the Committee. The Chairman of the Board of Directors and the CEO are invited to the Committee's meetings. The CEO is invited in relation to carry out activities and tasks that fall under his area of responsibility in the capacity of Director in Charge of the Internal Control and Risk Management System. The Committee's meetings can also be attended by any other subject who is deemed important for the matters dealt with in the meeting that the said Committee thinks to be appropriate.

All Control and Risk Committee meetings have always been attended by the Chairperson of the Board of Statutory Auditors or another statutory auditor designated by him (and the other statutory auditors were also free to attend), and Director of the Internal Audit and Compliance department (even as the Chief of the Internal Audit department) and the Director of the Legal and Corporate Affairs department (even with Secretarial functions). To these meetings, upon invitation of the Committee and to make its functions more efficient, also participated the Chairman of the Board of Directors, the General Manager

Corporate Finance, Group CFO as well as the Manager in Charge of Financial reporting, the Group Risk Officer and the company functions who are relevant based on the matters that are being discussed, the Integrity Board and the representatives of the Independent Auditors.

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

### **Duties Of The Control And Risk Committee**

As resolved by the Board of Directors on April 30, 2015 and December 17, 2015, as regards to the Criteria 7.C.1 and 7.C.2 of the Code, the Control and Risk Committee has the following duties:

- it provides the Board of Directors with opinions on:
  - the guidelines for the internal control and Risk Management System, so that the main risks affecting Salini Impregilo and its subsidiaries are correctly identified, properly measured, managed and monitored, defining the degree of compatibility of these risks with company management and its strategic objectives;
  - assessment, at least once a year, of the adequacy of the internal control and Risk Management System considering the company's characteristics and risk profile and their efficiency;
  - approval at least once a year of the audit plan prepared by the Chief Internal Auditor;
  - description, in the Corporate Governance Report, of the main characteristics of the internal control and Risk Management System, as well as the procedures for coordinating the parties involved, expressing its assessment of their adequacy;
  - assessment of the findings presented by the auditor engaged to carry out the legally-required audit in its management letter (if prepared) and in the audit report;
  - appointment and removal from office of the Chief Internal Auditor;
  - assessment of the suitability of the resources of the Internal Audit unit for carrying out their duties;
  - definition of the remuneration of the Chief Internal Auditor, in line with internal policies;
- assessment with the Manager in charge of financial reporting, and after consulting the auditor engaged to carry out the legally-required audit and the Board of Statutory Auditors, of the correct application of the accounting policies and their consistency for preparing the consolidated financial statements;
- expression of opinions on specific aspects related to the identification of key business risks, including economic, asset-related and operational risks;
- review of the periodic reports on the internal control and Risk Management System, especially those prepared by the Internal Audit function;

- monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- it may ask the Internal Audit function to carry out checks of specific operating areas and it reports thereon to the Chairperson of the Board of Statutory Auditors;
- reporting to the Board of Directors at least twice a year, during the meetings held to approve the annual and half-yearly reports, on its activities and the adequacy of the internal control and Risk Management System;
- supporting, with adequate investigations, the assessments and decisions of the Board of Directors with regard to risk management arising from adverse facts which the Board of Directors has become aware of;
- performance of the other duties assigned to it by the Board.

During the financial year, the Control and Risk Committee reviewed and assessed the work plan and reports prepared by the Chief Internal Auditor and Chief Compliance Officer, and the reports drawn up by the Integrity Board as per Legislative Decree no. 231/2001; it expressed, in agreement with the Board of Statutory Auditors, a favorable opinion, together with the Manager in charge of financial reporting and the representatives of the Independent Auditors, on the correct application of the accounting policies and their consistency during preparation of the consolidated financial statements, reporting thereon to the Board of Directors.

During approval of the draft annual financial statements and the half-yearly financial report, the Committee informed the Board of Directors about its activities and the adequacy of the internal control and risk management, administration and accounting systems taking into account the Internal control and Risk Management System compared to the characteristics of the related companies and to the existing risk profile. The positive opinions have been shared with the Board of Statutory Auditors.

The Committee, during the financial year and during the current date, beside the above-mentioned, also:

- (i) received, in a monitoring context of the Guidelines of the Internal Control and Risk Management system, the events relating to the Company as well as to some of its subsidiaries. In particular, it is important to note that the Committee:
  - analyzed and approved the long-term debt financing transaction of the Company through, inter alia, the placement of a bond loan reserved to institutional investors for a aggregate nominal amount of 500 million (previously overlooked in the paragraph 4.3 of this Report);
  - was also informed on the patrimonial exposition of the Group in Venezuela and analysed the relevant evaluation methodology of the Group's assets in that country;
  - analysed the economic and financial trend of the main contracts of the Company;

- (ii) analyzed the activities put in place by the Internal Audit and Compliance Department and assessed its performance. In particular, on the issue, it has:
  - analysed the audit reports received under the provisions contained in the mandate of Internal Audit Function;
  - analysed and approved the Plan of the Internal Audit Function and the Plan of the Compliance function with regard to 2017;
  - analysed and approved the update of the Company's Code of Ethics;
  - analysed and approved the update of the Organisation, Management & Control Model ex D.Lgs. 231/01 for taking into account the variations arising from the organisational structure of the Company and the related system of procedures, of the recent changes on the crime of illegal intermediation and exploitation of labour (L. 199/16 c.d. «illegal hiring») and reformulation of the crime of corruption between private parties with the introduction of the instigation to corruption (D. Lgs. 38/2017), as well as the redrafting of the system of dataflows of the Integrity Board also related to the baseline best practice;
  - acknowledged the in-depth studies relevant to the (i) integration/update of the procedures or ex novo policy drafting and (ii) completion of the approval procedure already existing, consequent to the gap analysis made for the update of the Organisation, Management & Control Model ex D.Lgs. 231/01;
  - analysed and approved the 2018 Integrated Audit Guideline and the 2018.
- (iii) analysed and approved the draft of the 2017 Budget as well as the periodical financial documents with particular reference (in the chronological order) to: (a) Preliminary Data to December 31, 2016, (b) the Annual Financial Report to December 31, 2016, c) the Semi-annual Financial Report to June 30, 2016, (d) the quarterly report to March 31, 2017 and September 30, 2017, (e) the Annual Financial Report to December 31, 2017;
- (iv) analysed and monitored the activities of the Risk Management Function. In particular, on this point, the Committee analyzed the Risk Management model in relation to the life cycle of the projects and planning processes and corporate of the Company, the Counterpart Risk Management Procedure and the contract Project Risk Assessment activities; it also analyzed and approved the Risk Assessment of the Risk Management function;
- (v) analysed and approved the Company's Sustainability Report with regard to 2016;
- (vi) noted the activities put into effect by the Company in terms of protection of health and safety on the workplace;
- (vii) analysed and approved the proposals in terms of remuneration of the Internal Audit Function;
- (viii) analysed and approved the update of the Guidelines on administrative accounting processes under L. 262/05;

- (ix) noted the current activity aiming at the adjustment of the new provisions of the International Accounting Principles IFRS 15 “Revenue from Customer Contracts” and IFRS 9 “Financial Instruments”, which will have an impact on the financial relations of the Company starting from 2018;
- (x) analysed and approved the update of the Guidelines on the Internal Control System and Risk Management and the update of the mandate of Internal Audit Function as well as the issue of the mandate of Compliance Function;
- (xi) verified the correctness of the subjective requisites required by the Organisation, Management & Control Model held by each component of the Integrity Board and, ergo, held by the whole Body itself;
- (xii) it met some company functions and acquired information on specific significant information for the Group.

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

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

On May 11, 2011, the Board of Directors resolved to give the Internal Control Committee an annual budget of €50,000 to cover the costs of any necessary consultancy or other services required to carry out its duties, which can be increased to €100,000 with the documented request by the Committee’s Chairperson and approval by the Chairman of the Board. The prior authorization of outlays is not necessary although the Committee is required to document its expenses. It may also avail of internal information and functions to carry out its tasks.

The Control and Risk Committee can make use of external consultants: during the year, said Committee did not need to use consultants to carry out its tasks. For this reason, the Committee did not use any financial resources as it used the means and structures of the Issuer to carry out its tasks.

# 11

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The guidelines for internal controls were defined by the Board of Directors on March 21, 2000, and subsequently updated and approved on March 25, 2009, November 12, 2014, March 16, 2016 and February 23, 2017.

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

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

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

Other subjects involved in the Internal Control and Risk Management System are the Risk Management function (whose activities will be dealt with in paragraph I.1) the General Management departments and the Management.

The sources and principles comprising the Company's Internal Control and Risk Management System are represented by: the Corporate Governance Code - July 2015 edition; Salini Impregilo's Code of Ethics, containing the standards of conduct, ethical and basic values that the Group adopts to pursue its objectives; the Organization, Management and Control Model pursuant to Legislative Decree no. 231/01, the Model of administrative, accounting and operational procedures for preparing the Group's financial statements pursuant to Law 262/05, 262/05, the Anti-Corruption Model, the Business Plan, additional internal regulations, i.e. the set of corporate documents defining roles and responsibilities within the organization, including the assignment of responsibilities for managing company risks, including, by way of example, but not limited to, Organization Charts, Organizational Communications and Memos, the Guidelines pursuant to Law 262/05, Framework, Interfunctional and Operational Procedures; the power and proxy system, structured to award authorization and signatory powers consistent with the organizational and management responsibilities assigned; best practices monitoring of the functioning of the Internal Control and Risk Management System is assigned to the Internal Audit Function.

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

Upon approval of the 2017 financial statements, the Control and Risk Committee expressed its favorable opinion to the Board of Directors on the adequacy and effectiveness of the internal control and risk management system with respect to the business characteristics and risk taken, following its review of the reports drawn up by the Chief Internal Auditor and the Integrity Board and based on interviews with the same and with the Manager in charge of financial reporting and the independent auditors.

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



## I Description of the main characteristics of the Risk Management System

After approving the business and strategic plan, which sets out the management team's strategic objectives, on March 19, 2014, the Board of Directors began a procedure to define the nature and level of risk compatible with these objectives. The assessments will include all risks that could be significant in terms of sustainability in the medium-long term, pursuant to Criterion 1.C.1, letter b) of the Code. This process, described in the following paragraphs, was assisted by the Control and Risk Committee.

### I.1 Risk Management

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

In line with the project, a Risk Management structure with "second level" control relevant functions has been set up, independent from other Business and Corporate functions. The Risk Management structure, in particular, deals with the following activities:

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

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

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

## **I.2 Risk Assessment**

The Issuer, within the Risk Management periodic process also conducted during 2017, a Risk Management activity aimed at recognising and assessing risks that could impact the Group's operation attainment of Business Plan targets.

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

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

### *a. Definition of the method and approach*

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

### *b. Identification of Risks*

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

### *c. Risk analysis*

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

### d. *Risk prioritization*

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

### e. *Treatment and monitoring of Risks*

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

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

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

### **I.3 Main characteristics of the Risk Management System concerning the financial reporting process, pursuant to Art. 123-bis, paragraph 2, letter b), of the TUF**

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

Said guidelines have been specifically declined to conform to the Issuer's characteristics and operating units that contribute to the creation of financial reporting, both separated (the Parent's) and consolidated. Account was taken of the fact that the Group is composed of entities that are separate in legal terms from the parent for the purposes of the financial

reporting referred to herein. The Group in fact consists of both legally separate entities (e.g. Italian and foreign stock companies) as well as entities that, although not legally separate from the parent under Italian law (e.g. foreign branches), have their own administrative and organizational structures and produce their financial reporting independently.

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

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

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

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

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

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

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

### **Strategic risks**

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

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

### **Financial risks**

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

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

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

### **Legal and compliance risks**

Risks connected to legal matters or that derive from compliance with regulations (e.g.. fiscal, local regulatory matters, etc) that is required to work in the sector and/or in particular countries and risks related to the contractual management with Business Partners. For Salini Impregilo, monitoring of contractual matters linked to project management activities and

to significant counterparts is fundamental. In this category there are also risks connected to fraud, both internal and external ones, and more generally, compliance with procedures defined by the company to regulate its governance system.

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

### **Operating risks**

Risks that could jeopardize value creation and that are due to an inefficient and/or ineffective management of the characteristic company operativeness, particularly connected to bid management and to executing the projects. Among the various risk activities that fall under this category there are: bid design and planning, the effective management of the supply chain, warehouse logistics and management, risks connected to managing information systems, and personnel and reporting related risks. These risks occur when, during the bidding, process and/or during project implementation, company policies or procedures are not adequate for managing risk factors arising from the project's level of complexity or following imponderable events.

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

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

The Board of Directors elected by the Shareholders' Meeting on April 30, 2015, confirmed the CEO as the "Director in charge of the internal control and risk management system" with all the powers and duties envisaged in Article 7 of the Code.

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

- to implement the Guidelines established by the Board of Directors, ensuring the design, implementation and management of the Internal Control and Risk Management System, constantly verifying its adequacy and effectiveness, also ensuring alignment of such System with the dynamics of the operating conditions and legislative and regulatory framework;
- to ensure the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, periodically submitting them to the examination of the Board of Directors;
- to promptly report to the Control and Risk Committee (or to the Board of Directors) on issues and problems emerging in the course of his activities or which have otherwise come to his attention, in order that the Committee (or the Board) may take appropriate action;
- to request the internal audit unit to perform checks of specific operating areas and the compliance with internal rules and procedures during business activities (when necessary); he informs the Chairperson of the Board of Directors, the Chairperson of the Control and Risk Committee and the Chairperson of the Board of Statutory Auditors thereon;

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

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

## 11.2 CHIEF INTERNAL AUDITOR

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

The Director of the Internal Audit and Compliance department is in charge of the structure that has been appointed a “third-level” control activity. By this, we mean the independent assessment of the overall structure and functioning of the Internal Control and Risk Management System, even by means of monitoring of line controls, as well as the so-called “second-level” control activities, and among these a periodic quality review concerning the activity carried out by the Compliance function through independent external consultants.

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

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

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

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

- a) verifies, both on an ongoing basis, in relation to specific needs and in compliance with international standards, the functioning and suitability of the Internal Control and Risk Management System, through an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritization of the key risks;
- b) reports directly to the Board of Directors and is not in charge of any business areas;
- c) has direct access to all the functions and information useful to carry out his duties;
- d) has adequate means to perform the assigned function;
- e) prepares periodic reports containing adequate information concerning his activities, the way in which risk management is performed, as well as compliance with the plans defined for its containment. The periodic reports contain an assessment of the adequacy of the Internal Control and Risk Management System;



- f) promptly prepares additional reports and notes on issues and events of particular importance;
- g) in parallel transmits the reports referred to in points e) and f) to the Chairman of the Board of Directors, of the Control and Risk Committee, of the Board of Statutory Auditors and to the Director in charge of the Internal Control and Risk Management System;
- h) verifies, within the scope as of the audit plan, the reliability of information systems, including accounting systems.

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

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

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

The Chief Internal Auditor is financially independent with his own budget approved each year by the Board of Directors after consulting the Control and Risk Committee.

Moreover, the Chief Internal Auditor worked together with the other control bodies, as explained in Section 10.6 below.

### 11.3 ORGANIZATION MODEL PURSUANT TO DECREE 231/2001

On January 29, 2003, the Company adopted the “Organization, Management and Control Model” required by Article 6 of Legislative Decree no. 231/01, based on the Confindustria guidelines, approved on March 7, 2002.

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

The “Organization, Management and Control Model”, whose current version was approved by the Board of Directors of Salini Impregilo on September 13, 2017, is available (as regards the General part) on the company's site [www.salini-impregilo.com](http://www.salini-impregilo.com), in the “*Governance - Internal Control and Risk Management - Compliance System Model 231*”.

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

On September 12, 2006, the Board of Directors set the number of members of the Integrity Board as per Article 6 of Legislative Decree no. 231/2001 to three, in line with what is required by the new Organization, Management and Control Model. Previously, the Board had been monocratic (internal control supervisor). Currently, the composition of the Integrity Board

envisages an internal Company member, identified in the person of the Chief Internal Auditor, and two professionals from outside the Company, one of which also holds the position of Independent Director. The Board provided for the corresponding mandates, most recently on August 3, 2015, for three years and therefore until approval by the Board of Directors of the half-yearly financial report at June 30, 2018. In accordance with the Model, the Chairman of the Integrity Board is identified in the member external to the Company and who is not a Director. The Integrity Board's members have specific expertise in inspections, analyses of control systems and legal issues (in particular, criminal proceedings) so that they can properly carry out their duties. The Board of Directors decided not to give the Board of Statutory Auditors the functions of the Integrity Board.

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

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

### Anti-Corruption Model

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

To this end, on June 16, 2014, the Company implemented the Anti-Corruption Compliance System, which summarizes the commitment to the principles introduced by the anti-corruption laws and by international best practices.

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

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

The Anti-Corruption Compliance System is embodied in the following documents and activities:

- Preparation, updating and application of the Anti-Corruption Model, approved by the Board of Directors on June 16, 2014 (available at [www.salini-impregilo.com](http://www.salini-impregilo.com) in the “Governance - Internal Control and Risk Management - Compliance System - Anti Corruption” section);
- Adoption of the Anti-Corruption Policy;
- Preparation of specific controls, within detailed Guidelines (Evaluation of Relevant Third Parties and Benefit Management vis-a-vis third parties) and procedures, in order to define the roles and responsibilities of those involved and the operating procedures of processes and control tools envisaged in the above-mentioned documents;
- Establishment of the Anti-Corruption Legal Support Unit, within the Compliance Function;
- Definition of a Sanctions System;
- Creation of a dedicated channel for Reporting alleged violations of the anti-corruption principles.

The scope of application of the Anti-Corruption Compliance System is Salini Impregilo SpA, which promotes its adoption by Group companies or entities (consortia, joint ventures, etc.).

## 11.4 INDEPENDENT AUDITORS

Based on the reasoned opinion of the Board of Statutory Auditors, at the end of a selection process curated by itself through the exam of the offers made by some of the main players of the statutory audit field, the Company’s shareholders’ Meeting dated April 30, 2015, appointed KPMG S.p.A. as the Independent Auditors for the nine-year period 2015-2023 pursuant to Legislative Decree 39/10. The appointed Independent Auditors exercises accounting control on Salini Impregilo in accordance with the relevant laws on this matter.

Starting from 2017, Salini Impregilo Group has enacted, also through the adoption of a dedicated procedure, the regulatory changes regarding Independent Auditors.

(Lgs. D. no. 135 of July 17, 2016, in force since August 06, 2016, Regulation (EU) No. 537/2014 of the European Parliament and of the Meeting of April 16, 2014 on specific requirements on Statutory Auditing of public-interest entities and repealing Council Decision 2005/909/CE of the Commission). Among the changes, the new normative reviews the relationship between

Independent Auditors and the Board of Statutory Auditors of the public-interest entity with regard to timing and liability concerning authorization procedures for Audit and Non Audit Services. Particular care on Non Audit Services, each of which, except the services prohibited under the existing norm or services that could compromise the Auditor's independence, the possible allocation of the Independent Auditors requires a prior authorization by the Board of Statutory Auditing. Salini Impregilo, with the support of the Independent Auditors, promoted during the year 2017 some training sessions dedicated to the functions involved, the Management and the Board of Statutory Auditors itself.

Salini Impregilo and its main subsidiaries have engaged independent auditors to perform the statutory audit of their financial statements and to check that their accounting records are kept correctly as required by Legislative Decree no. 58 of February 24, 1998, and Legislative Decree no. 39 of January 27, 2010, in the version in force as at December 31, 2016. Their interim financial reports are also reviewed.

The Independent Auditors, audit Salini Impregilo in accordance with the applicable legislation.

As part of the general audit plan for the group, the subsidiaries that do not exceed the thresholds set by Consob have nonetheless engaged the independent auditors on a voluntary basis.

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

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

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

The position of Manager in charge of financial reporting pursuant to Article 154-bis of TUF is currently held, with an open term, by the General Manager Corporate & Finance Group CFO Massimo Ferrari, who was granted all the powers and authority required to effectively carry out his functions and duties, within the budget limits approved from time to time and the last time by the Board of directors held on March 15, 2018. The Board of Directors granted powers to Massimo Ferrari, and specifically:

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

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

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

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

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

- Control and Risk Committee meetings are to be attended by the Board of Statutory Auditors, the Chairman of the Board of Directors, the Manager in charge of financial reporting and the Chief of the Internal Audit and Compliance Department and the Group Risk Officer. The Director in charge of the Internal Control and Risk Management System, the Chief Compliance Officer, as well as any other person whose presence the Committee deems appropriate in relation to the matters to be discussed may also attend;
- the Chief Internal Auditor periodically reports on his activities to the Control and Risk Committee, in order that the latter can inform the Board;
- the Chief Internal Auditor promptly transmits and, normally, also to the Risk Owners and others involved in the Internal Control and Risk Management System, the reports prepared at the end of the audit in order to allow the above mentioned persons to promptly take the appropriate risk mitigating actions according to their responsibilities for the risks that have emerged;
- the Chief Compliance Officer, the Chief Internal Auditor and the Group Risk Officer liaise with each other in carrying out the audits, also through the mutual sharing of work plans and information, taking into account any synergies.

## 12

# DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

On November 30, 2010, the Board of Directors approved a specific new procedure concerning related party transactions (the “Procedure”), which replaced the previous procedure approved by the Board on July 7, 2005, after receiving the favorable opinion of the Committee for Related-party Transactions, pursuant to Article 2391-bis of the Italian Civil Code. and of Article 4, paragraphs 1 and 3, of the Consob regulation on related parties; On November 29, 2010, the Board of Statutory Auditors assessed the new procedure’s compliance with the criteria set out in the Regulation.

The Board of Directors, at the meetings held on April 20, 2012, July 9, 2012, and May 13, 2013, December 17, 2014 and November 11, 2015, further amended the Procedure, after obtaining the favorable opinion of the committee for related-party transactions and the conformity assessment made each time by the Board of Statutory Auditors on compliance with the principles of the Consob Related Parties Regulation.

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

The Board of Directors set up a committee for Related - Party Transactions, consisting of the independent director appointed from the minority list (Marco Bolgiani) and three other independent directors (Marina Brogi, Giuseppina Capaldo, Geert Linnebank) to carry out the functions envisaged by the Consob Related Parties Regulation. The Committee elected its Chairman in the person of Marco Bolgiani.

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The Board meeting of March 12, 2007, resolved that subject to the provisions of Article 2391 of the Italian Civil Code, directors with interests, either directly or on behalf of third parties, in a corporate transaction to be approved by the Board of Directors or Executive Committee, if any, may participate in the related discussions and vote thereon as such participation represents a reason for taking a responsible decision about a transaction about which the Director may have greater knowledge than the other directors; the Board of Directors or Executive Committee, if any, may still ask that these directors leave the meeting during the discussion on a case-by-case basis.



# 13

## APPOINTMENT OF STATUTORY AUDITORS

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

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

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

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

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

Shareholders, shareholders forming part of significant shareholder agreements as per Article 122 of Legislative Decree no. 58 of February 24, 1998 (TUF) the Parent, subsidiaries and jointly controlled entities as per Article 98 of TUF 93 of the same decree may not present, or be involved in presenting (also via trustees or nominees), more than one list. Nor can they vote (also via trustees or nominees) for more than one list. Moreover, each candidate may only be present in one list in order to be eligible. Acceptances or votes breaching such prohibition shall not be assigned to any list.

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

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

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

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

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

Statutory Auditors are elected as follows:

1. two Statutory Auditors and one Alternate Auditor are taken from the list that obtains the highest number of votes in the shareholders' meeting, according to the numerical sequence in which they are listed in the sections of the list;
2. the remaining Statutory Auditors and the remaining Alternate Auditors are taken from the list that receives the second highest number of votes and is submitted and voted by parties who are not connected, directly or indirectly, with the reference shareholders, pursuant to Article 148.2 of Legislative Decree no. 58 of February 24, 1998 (TUF), according to the numerical sequence in which the candidates are listed in the sections of this list ("Minority list"). If two lists receive the same amount of votes, the elected candidates shall be taken from the list submitted by the shareholders holding the largest ownership stake or, subordinatedly, from the list submitted by the largest number of shareholders.

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

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

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

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

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

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

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

Outgoing Statutory Auditors may be re-elected.

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

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The result of the first assessment carried out on the independence of Statutory Auditors, after the appointment, is made public to the market through a press release, pursuant to Criterion 8.C.1. of the Code.

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

## 14

# COMPOSITION AND DUTIES OF THE BOARD OF STATUTORY AUDITORS (ARTICLE 123-BIS, PARAGRAPH 2, LETTERS D) AND D-BIS) OF THE TUF

The Board of Statutory Auditors, until April 27, 2017, the date of the Meeting of approval of the Financial Statements for the year ended December 31, 2016, was composed of Alessandro Trotter, Chairman of the Board of the Statutory Auditors, Teresa Cristiana Naddeo and Gabriele Villa, Statutory Auditors, who are elected during the meeting of April 2014, 30 in the only list presented by the shareholder Salini Costruttori S.p.A., unanimously approved by the present and voting capital, equal to 91,25% of the company's overall capital voting rights.

At Salini Impregilo Shareholders' Meeting held on April 27, 2017, the shareholders appointed the current Board of Statutory Auditors with expiry three years later, and until the Shareholders' Meeting of the Financial Statement for the year ended December 31, 2019, on the basis of the based on the applications submitted through the following two lists.

- 1) The majority list submitted by the controlling shareholder Salini Costruttori S.p.A:
  - Alessandro Trotter (Statutory Auditors)
  - Teresa Cristiana Naddeo (Effective Auditors)
  - Leonardo Quagliata (Effective Auditors)
  - Piero Nodaro (Alternate Auditors)
  - Giuseppina Pisanti (Alternate Auditors)

This list obtained the majority of the favourable votes equal to 90,092% of the Company's share capital attending the meeting (equal to 68,127% of the common share capital), being elected the Effective Auditors Alessandro Trotter and Teresa Cristiana Naddeo and the Alternate Auditors Piero Nodaro.

- 2) The minority list submitted by the law firm Trevisan & Associati by shareholders who hold the percentage equal to 2,508% (number of shares 12.345.704) of the Company's share capital:
  - Giacinto Gaetano Sarubbi (Effective Auditor)
  - Roberto Cassader (Alternate Auditor)

This list obtained the majority of the favourable votes equal to 9,794% of the Company's share capital attending the Meeting (equal to 7,406% of the common share capital), being both elected to the above-mentioned respective offices.

The candidate Effective Auditor elected from the minority list, Giacinto Gaetano Sarubbi, having taken up its responsibilities of Chairperson of the Board of Statutory Auditors, with respect to Article 29 of the Article of Association, therefore the present Board of Statutory Auditors is composed as follows:

- Giacinto Gaetano Sarubbi (Chairperson)
- Alessandro Trotter (Effective Auditor)
- Teresa Cristiana Naddeo (Effective Auditor)
- Roberto Cassader (Alternate Auditor)
- Piero Nodaro (Alternate Auditor)

The Statutory Auditors' personal and professional profiles are presented in their curricula posted on the Internet site [www.salini-impregilo.com](http://www.salini-impregilo.com), in the “*Governance - Board of Statutory Auditors*” section.

The information concerning the composition of the Board of Statutory Auditors at end of year, in addition to further information regarding the appointment of the Statutory Auditors, their participation in meetings of the Board and the other positions held by the subject in other companies, can be found in Table 2 attached to this report.

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The Board of Statutory Auditors met 18 times during the year with an average duration of about 2 hours.

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

7 meetings have been held to this day.

#### **Diversity Policies in the composition of the Board of Statutory Auditors**

In compliance with the provisions of art. 10 of Lgs. D. no. 254/2016, and of art. 123-bis, comma 2, letter d-bis), of the TUF, the policies adopted by the Company on matters of gender, age and educational and professional background diversity of the Board of Statutory Auditors is hereunder illustrated.

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

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

### **Policies on the matter of gender diversity**

The composition of the Board of Statutory Auditors complies with the provisions of the law with regard to gender quotas.

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

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

### **Policies on the matter of age diversity**

In relation to age diversity, in view of the indications of the Board of Statutory Auditors within the context of its self-evaluation relevant to the 2017 Financial Year - from which it appears that the Board of Statutory Auditors is adequate in relation to age diversity - no ad-hoc policy has been adopted on the matter.

### **Policies on the matter of diversify of the educational and professional background**

View of the indications of the Board of Statutory Auditors within the context of its self-evaluation relevant to the 2017 Financial Year - from which it appears that the Board of Statutory Auditors is adequately composed in relation to the professional competences held by its members, also pursuant to articles 2397 of the Italian Civil Code and 148 of the TUF - no further policy has been adopted regarding the annual induction program, destined, besides the Board of Directors, to the Board of Statutory Auditors as well.

The shareholders appointed the new statutory auditors in their meeting on April 27, 2018. The Board of Statutory Auditors confirmed on that date that each statutory auditor met the independence requirements set out in the Code. The Board of Statutory Auditors, on January 23, 2018, ascertained that each Statutory Auditor still had these requisites. The Board of Statutory Auditors applied all the criteria set out in the Corporate Governance Code in assessing independence.

Salini Impregilo complies with the guidelines of Criterion 8.C.4 of the Code whereby statutory auditors that either directly or on behalf of third parties have an interest in a

specific transaction shall promptly and completely inform the other statutory auditors and the Chairman of the Board of Directors about the nature, scope, origin and terms of their interest.

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

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

The Board of Statutory Auditors took part in the Induction Program organized by the Chairman of the Board of Statutory Auditors. Please refer to the previous paragraph 4.2.

## **15 INVESTOR RELATIONS**

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

Therefore, it set up Investor Relations unit in July 2001 which reports to the head of the Investor Relations unit (currently Fabrizio Rossini) whose specific duties include managing relations with investors. This person has an e-mail address specifically for receiving communications and requests from shareholders ([investor.relations@saliniimpregilo.it](mailto:investor.relations@saliniimpregilo.it)). The Investors Relations section in company's website [www.saliniimpregilo.com](http://www.saliniimpregilo.com) contains all the financial information as well as up-to-date documents of interest to the shareholders, so that they may exercise their rights in an informed manner.

Salini Impregilo publishes information of interest to its shareholders on its Internet site [www.salini-impregilo.com](http://www.salini-impregilo.com).

## 16

# SHAREHOLDERS' MEETINGS (ARTICLE 123-BIS.2.C) OF THE TUF)

Article 12) of the Bylaws establishes that meetings can take place in Italy and not necessarily at the registered office. Ordinary meetings are called every year within one hundred and twenty days of the reporting date and, at the very latest, within one hundred and eighty days if the legal conditions for doing so are met. Ordinary and extraordinary meetings are also called whenever the Board of Directors deems it suitable and when provided for by law.

Pursuant to Article 14) of the Bylaws, each holder of a right to vote who is eligible to attend a Shareholders' Meeting can be represented at the Shareholders' Meeting by means of a written proxy given to another party, pursuant to the law. The Chairman of the Shareholders' Meeting is responsible for verifying the validity of the proxies and the rights of those present to attend the Meeting.

Article 15) of the Bylaws establishes that both ordinary and extraordinary Shareholders' Meetings shall be constituted and pass resolutions according to the law. Sections 4 and 12 of this report set out the conditions for electing members of the Board of Directors and the Board of Statutory Auditors.

Article 16) of the Bylaws states that the Shareholders' Meeting shall be convened by a notice to be published under the terms and conditions of the law. That article also states that the Ordinary and Extraordinary Shareholders' Meeting shall take place in a single call, unless the Board of Directors, for a given Shareholders' Meeting, has resolved to specify the date for the second and, possibly, third call, providing such information in the call notice.

Pursuant to Articles 17) 18), and 19) of the Bylaws, the meeting is chaired by the Chairman of the Board of Directors, or in his absence, by one of the deputy chairmen. If this is not possible, the meeting appoints a chairperson from among the directors or Shareholders present. The Chairman of the Shareholders' meeting has full powers to verify the eligibility of holders of voting rights to attend the meeting and, more specifically, the validity of proxies, to ascertain whether the meeting is duly convened and with the required quorum, as well as the power to manage and govern the proceedings and establish the voting procedures. The Shareholders' Meeting appoints a secretary who need not be a shareholder. Resolutions are recorded in minutes entered in a special register signed by the Chairman, the Secretary and the vote-counters, if appointed. The minutes of the Shareholders' Meeting, if drawn up by a notary (public), are subsequently recorded in the aforementioned register.



As described in Section 4.3 of this Report, the Bylaws, in Article 24, attributes to the Board of Directors responsibility to resolve to establish or close branches in Italy or abroad, reduce the share capital in the event of a shareholder withdrawal, amend the Bylaws to comply with changes in legislation, transfer the registered office within Italy, and carry out a merger and spin-off in compliance with the provisions of Articles 2505 and 2505 bis of the Italian Civil Code.

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With regard to the Meeting held on April 27, 2017, the Board of Directors submitted their relations to meeting agendas and the Issuer's controlling shareholders presented a list for the appointment of the Board of Statutory Auditors.

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The Ordinary Shareholders' Meeting approved the "Regulation of Shareholders' Meeting" during their ordinary meeting on May 8, 2001. These rules are available at [www.salini-impregilo.com](http://www.salini-impregilo.com), in the "*Corporate Governance - Shareholders' Meeting*" section, and were drawn up using the format proposed by Assonime. Their scope is to ensure the orderly conduct of meetings with respect to each shareholder's fundamental right to request clarifications about matters on the agenda, to express its opinion and make proposals.

These regulations set out the methods used to ensure each shareholder's right to take part in discussions about the matters on the agenda.

The Shareholders' Meeting held on April 27, 2017 was attended by (including the Chairman and the Chief Executive Officer) 13 Directors. The Board of Directors reported to the shareholders about the activities both carried out and planned for the future in the meetings.

It took the necessary steps to ensure that the shareholders receive adequate information about the matters in order to be able to make informed decisions. No shareholder attending the meeting required the Chairman of the Compensation and Nominating committee to refer on the procedures of the functions of the Committee.

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

# 17

## **ADDITIONAL CORPORATE GOVERNANCE PRACTICES (ARTICLE 123-BIS.2.A) OF THE TUF)**

### **Corporate Social Responsibility Department**

The Company's current organizational structure includes the Corporate Social Responsibility Department under the CEO. This department defines and guarantees the implementation of a Sustainability Plan that adheres to the company's targets and that is consistent with international standards. It also prepares the Sustainability Report.

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

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

### **Whistleblowing System**

With regard to the comment regarding Art. 7 of the Code, which envisages that "The Committee thinks that at least within issuing companies belonging to the FTSE-MIB there should be an adequate internal control risk management system that includes an internal whistleblowing system used by employees to report any irregular behaviour or legal and regulatory violations that are in line with the best existing national and international best practices, to guarantee a specific information channel that safeguards the anonymity of the whistleblower." This is done voluntarily, as there is no obligation for the company to comply, as it is not included in the FTSE-MIB index. In any case, in order to align itself with current best practices, having obtained the approval of the Control and Risk Committee, the Board of Directors on December 17, 2015, adopted a specific system for managing notifications regarding irregular behaviour or legal and regulatory violations. The Company, on November 15, 2017, updated the procedure "Management of Reports and Investigations" aiming to regulate the dealing with the reports that arrives through the channel whistleblowing. The procedure is in line with the provisions of Law 179/2017 and the *best practice* provided by Confindustria in its well-known informative on the discipline of whistleblowing of January 2018.

## 18

# CHANGES SINCE YEAR END

Since the end of year closing no changes to the corporate governance structure were made except for those mentioned in this Report.

## 19

# THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OBSERVATIONS ON THE LETTER OF DECEMBER 13, 2017

The Board of Directors of February 21, 2018, made after preliminary investigation of the same date from the Compensation and Nominating Committee and the Independent Directors (in an ad-hoc meeting for the latter), analysed the recommendations contained in the letter of December 13, 2017 of the Chairman of the Borsa Italiana S.p.A. Corporate Governance Committee, aiming to assess the adoption of further controls and solutions as intended to a better adjustment to meet the provisions of the Code.

At the end of the analysis, the Board of Directors sets out the following observations:

- **about pre-meeting information**, with regard to the recommendation of the Committee of ensuring full transparency about timeliness, completeness and usability of the pre-meeting information, providing precise indications on the effective respect of the terms identified as appropriate for the submission of the documents, the Board of Directors has established that the timing observed in year 2017 for the availability of the preliminary documents for board and committee meetings is the following:
  - (a) ***five days before the meeting*** (or the day of the meeting): executive summary for each issue, containing (i) summary of the subject discussed, (ii) draft resolution to adopt, (iii) list of the reference documents;
  - (b) ***between five and two days before the meeting***: documentation mentioned in point (iii). If, for emergency reasons or for other particular reasons, the documentation is available in a shorter time, a deep and proper discussion of the matters processed during the board or committee meeting has been organised. According to the results of 2017 Board Evaluation, the Board of Directors believed the pre-meeting information complete and reasonable.
- **about compensation**, with regard to the recommendation of the Committee of:
  - (a) ***giving in the compensation policies a greater weight to long-term variable components***, the Board of Directors noted that the weight of the long-term variable components is, currently, equal to 1/3 of the entire compensation package of the Executives with strategic responsibilities. The remaining 2/3 are represented, 50:50, by the fixed component

- (1/3) and the short-term variable component (1/3). With regard to the composition of the entire compensation package, the Company deemed appropriate the weight of the long-term variable component, moreover aligned with the best practice. Salini Impregilo, inter alia, proves to be the leader with regard to the remuneration mechanisms adopted, according to what results from the Final Report, 2017 Edition, of the Observatory of the Excellence of the Systems of Government in Italy published by The European House – Ambrosetti;
- (b) **introducing claw-back provisions**, the Board of Directors established that the Issuer is already in possess of the 2016 Compensation Policy, of appropriate claw-back provisions with reference to ITS and LTI plans in force;
  - (c) **defining criteria and procedures for the assignment of possible no severance indemnity**, are the ones provided in (i) the existing norms, (ii) the CCNL Executives and (iii) the practices in use;
- **about Nominating Committee**, with regard to the recommendation of the Committee of:
- (a) **establishing the Nominating Committee**, the Board of Directors noted that the Nominating Committee itself, aiming to ensure the organizational efficiency in carrying out the functions deemed complementary, resolved to grant to a single Committee the functions of the Nominating Committee and the Compensation Committee. This approach is in line with what results from the Comment of Article 4 of the Corporate Governance Code;
  - (b) **distinguishing clearly between the functions of the Committee**, in the case where it has been unified with the Compensation Committee, independently reporting the activities carried out, the Board of Directors noted that in the Annual Report on Corporate Governance and the share ownership report, the Company takes into account the double functions carried out by the Compensation and Nominating Committee.
- **about Succession Plans**, with regard to the recommendation of the Committee of:
- (a) **providing, concretely, the Succession Plans for the Executive Directors**, to ensure the continuity and the stability of the management, the Board of Directors noted that it has already adopted, by resolution on March 19, 2014, as last confirmed on February 21, 2018, an Executive Director Succession Plan defined on the proposals on Compensation and Nominating Committee. On February 21, 2018, the Board of Directors, upon previous preliminary investigation of the Compensation and Nominating Committee, which met at the same date, deemed that the Succession Plan needed no revision;
  - (b) **increasing the transparency of the adopted plans**, the Board to Directors noted that in the Annual Report on Corporate Governance and the share ownership report, the Company takes provides punctual information of the adopted Succession Plan;
- **about independence**, with regard to the recommendation of the Committee of strengthening the independence assessment providing proper explanations in case of systematic implying refusal referred to individual cases - in accordance with the concept of prevalence of substance over form - of some requirements of the Code, that should provide for limited exceptions, the Board of Directors noted that in Salini Impregilo occurred term of systematic implying refusal referred to individual cases of the requirements of the Code;

- on self-assessment of the Board of Directors, with regard of the Committee of:
  - (a) *providing structured procedures for the board review activities*, the Board of Directors established that the Company adopted a structured procedure with regard to it and it provides:
    1. the preliminary assessment of the Compensation and Nominating Committee for the identification of the modalities through which proceed to the Board Evaluation, also with regard to the specificities of the financial year taken into account;
    2. the sharing of the assessments on the Committee on Board Evaluation with the Independent Directors during an ad hoc meeting;
    3. the use of assessment questionnaires, unless decided otherwise by the Board of Directors, proposed by the Compensation and Nominating Committee;
    4. the involvement of the Internal Audit Service for the collection of the questionnaires results in such a way to guarantee the advisors' anonymity;
    5. the verification of the results of the Board Evaluation by the Internal Audit Service, that provides, in particular, the analysis of the indications and comments emerged from the questionnaires outcomes;
    6. the preparation, by the Internal Audit Service, of a report for the Board of Directors on the Board Evaluation results;
    7. the discussion, by the Independent Directors, of the Board Evaluation results during an ad hoc meeting, with the formulation of the proposals for improvement and a verification of the follow up with regard to the solutions previously identified;
    8. the discussion, in the Board of Directors office, of the main results of the Board Evaluation.
  - (b) *including in the evaluations also the effective function of the Board of Directors*, taking into account, in particular, the contribution of the Board itself to the definition of the strategic plans and the monitoring of the operating performance and the adequacy of the Internal Control System and of the Risk Management, the Board of Directors determined that such aspects are verified during the Annual Board Evaluation of the Company, as there is, in the standard questionnaire used for the assessment, specific questions on such aspects. With regard to the verification of the adequacy of the Internal Control System and the Risk Management, it is annually accepted by the Board of Directors on the basis of the reports provided by the main actors of the Control System; with regard to the definition of the strategic plans, the Company Plan is a responsibility and is approved by the Board of Directors that monitors the operating performance reviewing and discussing the information provided by the Managing Director during the Board Meetings.

**For the Board of Directors**  
**The Chairman**  
**Alberto Giovannini**

## Structure of the current Board of Directors and Committees at the end of the 2017 Financial Year

Board of Directors												CRC		CNC		CRPT	
	Year of birth	First appointment *	In office since	In office until the next Shareholders' Meeting to approve the financial statements	List **	Exec	Non exec	Indip since Code	Indip from TUF	(*)	No. other positions ***	(*)	(**)	(*)	(**)	(*)	(**)
Chairman <b>Alberto Giovannini</b>	1955	17.07.12	17.07.12	31.12.17	M		X			13/13	7						
Director <b>Pietro Salini</b> • ♦	1958	17.07.12	17.07.12	31.12.17	M	X				13/13	1						
Director <b>Marco Bolgiani</b>	1957	30.04.15	30.04.15	31.12.17	m		X	X	X	12/13	1	12/13	M			2/2	P
Director <b>Marina Brogi</b>	1967	17.07.12	17.07.12	31.12.17	M		X	X	X	13/13	3			9/9	P	2/2	M
Director <b>Giuseppina Capaldo</b>	1969	11.06.12	11.06.12	31.12.17	M		X	X	X	10/13	2	12/13	M			2/2	M
Director <b>Mario Cattaneo</b>	1930	17.07.12	17.07.12	31.12.17	M		X	X	X	11/13	1	13/13	P				
Director <b>Roberto Cera</b>	1955	17.07.12	17.07.12	31.12.17	M		X			13/13	-						
Director <b>Nicola Greco</b>	1949	12.09.13	12.09.13	31.12.17			X	X	X	13/13	1			9/9	M		
Director <b>Pietro Guindani</b>	1958	17.07.12	17.07.12	31.12.17	M		X	X	X	13/13	2	13/13	M				
Director <b>Geert Linnebank</b>	1956	17.07.12	17.07.12	31.12.17	M		X	X	X	12/13	2			9/9	M	2/2	M
Director <b>Giacomo Marazzi</b>	1940	12.09.13	12.09.13	31.12.17			X	X	X	12/13	-						
Director <b>Franco Passacantando</b>	1947	12.09.13 effective from 15.12.13	12.09.13 effective from 15.12.13	31.12.17			X	X	X	12/13	3	11/13	M				
Director <b>Laudomia Pucci</b>	1961	17.07.12	17.07.12	31.12.17	M		X	X	X	10/13	5			8/9	M		
Director <b>Alessandro Salini</b>	1961	28.04.16	28.04.16	31.12.17			X			12/13	-						
Director <b>Grazia Volo</b>	1952	16.03.16	16.03.16	31.12.17			X			13/13	-						

Quorum required to present lists at time of last appointment: **1%**

No. of meetings held during the financial year in question:	BoD	<b>13</b>	CRC	<b>13</b>	CNC	<b>9</b>	CRPT	<b>2</b>
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No Director left his/her office during the 2017 Financial Year

### NOTE

- This symbol indicates the Director in charge of the internal control and risk management system.
- ♦ This symbol indicates the main person responsible for management of the Issuer (Chief Executive Officer).
- \* By date of first appointment of each director is meant the date on which the director was appointed for the first time (ever) to the Issuer's Board of Directors.
- \*\* This column indicates the list from which each director was taken ("M": majority list; "m": minority list; BoD: list submitted by the BoD).
- \*\*\* This column indicates the number of offices as director or statutory auditor held by the person in other companies listed on regulated markets, including foreign markets, financial, banking, insurance companies or large companies. In the Report on Corporate Governance the positions are indicated in full.
- (\*) This column indicates the attendance of directors in Board and committee meetings, respectively, in relation to the total number of meetings held during the respective period of office.
- (\*\*) This column indicates the qualification of the director in the Committee: "P": chairman; "M": member.

LEGENDA: **CRC** – Control and Risk Committee | **CNC** – Compensation and Nominating Committee | **CRPT** – Committee for Related - Party Transactions

## Structure of the Board of Statutory Auditors at the end of the 2017 Financial Year

### Board of Statutory Auditors at 31.12.2017

	Year of birth	First appointment	In office since	In office until	List	Indip since Code	Part. C.S.	No. other positions
Chairperson <b>Sarubbi Giacinto Gaetano</b>	1963	27.04.17	27.04.17	31.12.19	m	X		8
Statutory Auditor <b>Trotter Alessandro</b>	1940	07.05.08	27.04.17	31.12.19	M	X		10
Statutory Auditor <b>Naddeo Teresa Cristiana</b>	1958	30.04.14	27.04.17	31.12.19	M	X		5
Alternate Auditor <b>Piero Nodaro</b>	1959	27.04.17	27.04.17	31.12.19	M	X		
Alternate Auditor <b>Roberto Cassader</b>	1965	27.04.17	27.04.17	31.12.19	m			

Shareholders' Meeting  
to approve the Financial  
Statements

### Cessed Auditors at the end of the 2017 Financial Year

	Year of birth	First appointment	In office since	In office until	List	Indip since Code	Part. C.S.	No. other positions
Statutory Auditor <b>Villa Gabriele</b>	1964	30.04.14	30.04.14	31.12.16	M	X		
Alternate Auditor <b>Tabellini Marco</b>	1967	30.04.13	30.04.14	31.12.16	M	X		
Alternate Auditor <b>Battistin Roberta</b>	1971	30.04.14	30.04.14	31.12.16	M	X		

Shareholders' Meeting  
to approve the Financial  
Statements

Quorum required to present lists at time of last appointment: **1%**

No. of meetings held during the financial year in question: **18**

**Board of Directors**

Director	Company	Position
<b>Alberto Giovannini</b>	- MTS S.p.A. - EUROMTS LIMITED - UNIFORTUNE INVESTMENT MANAGEMENT LTD - DTCC DERIVATIVES REPOSITORY PLC (UK) - DTCC DERIV/SERV LLC (US)	Chairman Chairman Director  Director Director
<b>Pietro Salini</b>	- SALINI COSTRUTTORI S.p.A.	Chief Executive Officer
<b>Marco Bolgiani</b>	- 441 TRUST CO. LTD	Executive Chairman
<b>Marina Brogi</b>	- LUXOTTICA GROUP S.p.A. - CLESSIDRA SGR - BANCO DI DESIO E DELLA BRIANZA S.p.A.	Director Statutory Auditor Director
<b>Giuseppina Capaldo</b>	- FERRARI N.V. - BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Director Director
<b>Mario Cattaneo</b>	- BRACCO S.p.A.	Director
<b>Roberto Cera</b>	- NTD	
<b>Nicola Greco</b>	- PERMASTEELISA S.p.A.	Director
<b>Pietro Guindani</b>	- VODAFONE ITALIA S.p.A. - ENI S.p.A.	Chairman Director
<b>Geert Linnebank</b>	- INDEPENDENT TELEVISION NEWS - REFERENDUM FACTS LTD – London	Chairman Director
<b>Giacomo Marazzi</b>	- NTD	
<b>Franco Passacantando</b>	- EUROCLEAR PLC - EUROCLEAR SA/NV - ANTIRION SGR	Director Director Chairman
<b>Laudomia Pucci</b>	- FASHION FLORENCE INTERNATIONAL - EMILIO PUCCI S.R.L. - POLIMODA - FONDAZIONE ALTAGAMMA SETTORE MODA - FONDAZIONE PALAZZO STROZZI USA	Chairman Deputy Chairman Director Deputy Chairman Director
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**Project coordination**  
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**Credits**  
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