



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

pursuant to article 123-*bis* of the consolidated finance act (TUF)

(traditional management and control model)

Issuer: **ASTALDI S.p.A.**

Website: **www.astaldi.com**

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1. PROFILE OF ISSUER

The corporate governance structure adopted by Astaldi S.p.A., a company incorporated and existing under Italian law with shares admitted for trading on the markets operated by Borsa Italiana S.p.A. and bonds admitted for trading on the Luxembourg Stock Exchange, is based upon the traditional administration and control model. Without prejudice to the duties of the Shareholders, the corporate governance structure assigns management duties to the Board of Directors, and the supervisory functions to the Board of Statutory Auditors. The accounts are audited by an audit firm. In implementation of the provisions of Legislative Decree no. 231/2001, the Company has appointed the Supervisory Body.

Also because it is listed on the STAR Segment, Astaldi S.p.A. adheres to the “Code of conduct for listed companies” (hereinafter, the “Code of conduct”) drafted by Borsa Italiana S.p.A. in 1999 and later amended by the Corporate Governance Committee.

This year as well, Astaldi S.p.A.’s governance is in line with the principles provided for by the Code of conduct, with the recommendations formulated by CONSOB in this regard, and, more generally, with international best practices.

In light of the above, the following is a description of Astaldi S.p.A.’s corporate governance system at 31 December 2016.

Since the 2016 financial year, no substantial changes have taken place.

2. INFORMATION on the OWNERSHIP STRUCTURE (pursuant to art. 123-bis of the consolidated finance act – TUF)

at (31 December 2015)

a) Structure of share capital (pursuant to art. 123-bis, subsection 1, letter a), of the consolidated finance act - TUF)

- Amount in Euros of share capital subscribed and paid-in: **EUR 196,849,800.00**.

- Share capital consists of the following categories of shares: **ordinary shares with voting rights**.

The aforementioned share capital is subdivided into 98,424,900 **ordinary shares** with a nominal amount of EUR 2 per share.

STRUCTURE OF SHARE CAPITAL			
	No. of shares	% of share capital	Listing
Ordinary shares	98,424,900	100%	Italy – STAR Segment

On 23 April 2013, the Shareholders resolved a capital increase with exclusion of the option right pursuant to 2441, subsection 5 of the Italian civil code, serving exclusively the equity-linked bond, reserved for qualified Italian and foreign investors. For this bond, bondholders are given the right to request conversion of the bonds into already existing or newly issued shares, and the Company is entitled to refund the capital through the handing over of shares or in cash, or in a combination of shares and cash. The following is the summary table:

OTHER FINANCIAL INSTRUMENTS (attributing the right to subscribe newly issued shares)				
	Listing	No. of outstanding convertible bonds	Category of shares at the service of the conversion	Number of shares at the service of the conversion
Convertible bonds	Luxembourg – MTF	130,000	ordinary	17,568,517

Incentive plans based on shares that involve increases – including those free of charge – of the share capital have not been introduced.

b) Restrictions on the transfer of securities (pursuant to art. 123-bis, subsection 1, letter b), of the consolidated finance act – TUF)

No restrictions on the transfer of securities are present.

c) Important equity investments in capital (pursuant to art. 123-bis, subsection 1, letter c), of the consolidated finance act - TUF)

At 31 December 2016, the shareholders holding shares in an amount exceeding 3% of the share capital – the new threshold defined by Legislative Decree no. 25/2016, implementing European Directive no. 2013/50/EC (the “Transparency” Directive) – as resulting from the shareholders’ ledger, from the announcements received pursuant to art. 120 TUF, and from other available information, are as follows:

FIN.AST S.r.l.	<i>FIN.AST. S.r.l.</i>	39,605,495	40.239%
	<i>Finetupar International S.A.</i>	12,327,967	12.525%
		51,933,462	52.764%

FMR LLC	<i>FMR Co, Inc</i>	9,037,319	9.182%
	<i>Fidelity Institutional Asset Management Trust Company</i>	363,075	0.369%
	<i>FIAM LLC</i>	229,532	0.233%
		9,629,926	9.784%

TOTAL		61,563,388	62.548%
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d) Securities conferring special rights (pursuant to art. 123-bis, subsection 1, letter d), of the consolidated finance act - TUF)

At their meeting of 29 January 2015, amending art. 12 of the Company's Bylaws, in line with the provisions of art. 127-*quinquies* of Legislative Decree no. 58 of 24 February 1998 (consolidated finance act – TUF), the shareholders introduced the mechanism of the so-called “increased voting rights.” Consequently, shareholders (or others entitled to vote) that so request are permitted to register in a “List” kept by the Company for the attribution of two votes per share possessed, subject to continuous possession for a period of at least 24 months by the same party.

The Company's new Bylaws provides that two votes are assigned for each share belonging to the shareholder that has requested being registered in the List – kept and updated by the Company – and that has maintained it for an uninterrupted period of no less than twenty-four months starting from the date of registration in said List.

For organisational purposes, the Company's Bylaws establishes that the registrations in and updating of the List are to take place quarterly – 01 March, 01 June, 01 September, 01 December – or at such other frequency as may be provided for by sectoral regulations.

Specific procedural technicalities are reported in the Regulations, approved by the Board of Directors meeting of 10 March 2015 and available on the Company's website in the section

http://www.astaldi.com/governance/increased_votes/

During 2015, the first entries in the register took place. In application of the requirements of art. 143-*quater*, subsection 5, of CONSOB's Issuer Regulation, the Company published, in the same section as above, the shareholders with interests exceeding 3%, that requested being registered on said list.

At 31 December 2016, the parties are registered as shown in the table.

It is specified that other registrations were made, albeit with regard to interests of under 3%.

DECLARANT	REGISTRATION DATE	INTEREST FOR WHICH INCREASE WAS REQUESTED	TOTAL INTEREST
FIN.AST S.r.l.	1 MARCH 2015	39,500,000 (40.132%)	39,605,495 (40.239%)
Finetupar International S.A.	1 MARCH 2015	12,327,967 (12.525%)	12,327,967 (12.525%)

Implementing the provisions of the regulations of reference and the specific provisions of the Bylaws of Astaldi S.p.A., on 01 March 2017 – the day of the twenty-fourth month following that on which the registration took effect – the shareholders FIN. AST. S.r.l. and *Finetupar International S.A.*, having, as reported above, maintained their shares without interruption in the List, accrued increased voting rights.

e) Employee shareholding: mechanism for exercising voting rights (pursuant to art. 123-bis, subsection 1, letter e), of the consolidated finance act - TUF)

No employee shareholding system has been instituted.

f) Restrictions on voting rights (pursuant to art. 123-bis, subsection 1, letter f), of the consolidated finance act - TUF)

No restriction on the right to vote is provided for.

g) Agreements among shareholders (pursuant to art. 123-bis, subsection 1, letter g), of the consolidated finance act - TUF)

As part of the transaction of issuing the equity linked bond mentioned in point 2 a), Fin. Ast. S.r.l., as controlling shareholder of Astaldi S.p.A., subscribed a commitment in favour of the latter, aimed at supporting the operation of issuing said bond, and to vote in favour of the connected capital increase, approved at the extraordinary Shareholders' Meeting of Astaldi S.p.A. held on 23 April 2013.

h) Change of control clause (pursuant to art. 123-bis, subsection 1, letter h), of the consolidated finance act - TUF) and statutory provisions in the matter of takeover bids (pursuant to articles 104, subsection 1-ter, and 104-bis, subsection 1)

Astaldi has taken out medium/long-term bank loans and bonds containing early repayment clauses in the event of change of control.

In the matter of takeover bid, the Bylaws of Astaldi S.p.A. do not deviate from the provisions on the passivity rule provided for by art. 104, subsections 1 and 2, TUF, nor do they provide for application of the "neutralisation" rules contemplated by art. 104-bis, subsections 2 and 3, TUF.

i) Delegations to increase share capital and authorisations for the purchase of treasury shares (pursuant to art. 123-bis, subsection 1, letter m), of the consolidated finance act - TUF)

The Board of Directors of Astaldi S.p.A. was not delegated to increase the share capital pursuant to art. 2443 of the Italian civil code, or to issue participatory financial instruments.

At their meeting, dated 20 April 2016, with reference to the Company's **treasury shares buyback plan**, pursuant to art. 2357 and following of the Italian civil code and art. 132 of Legislative Decree no. 58 of 24 February 1998, the shareholders of Astaldi S.p.A. approved the renewal for the authorisation to purchase treasury shares for a period of twelve months starting from 27 May 2016, coming due on Friday, 26 May 2017, considering that, in light of CONSOB decision no. 16839 of 19 March 2009, the purposes of fostering regular trading, of preventing price movements out of line with market trends, and of guaranteeing adequate support to market liquidity would remain uncompromised.

Moreover, the authorisation was also conferred to permit the establishment of a securities portfolio servicing extraordinary transactions during any possible transactions of a strategic nature in the Company's interest, or of stock grant and/or of stock option plans in favour of the Company's directors, employees, or collaborators. Moreover, the establishment and maintenance of a securities portfolio is appropriate in the context of the equity linked bond, in order to offer the Company an additional instrument to satisfy the right of the bondholders in question to request any conversion of the equity linked obligations into already existing (and/or newly issued) ordinary shares of the Company, using the shares held in the securities portfolio, in compliance with the bond regulations and within the limits of the aforementioned CONSOB decision no. 16839 of 19 March 2009.

Therefore, the Shareholders resolved to renew, for a period of 12 months starting 26 May 2016, the authorisation for the Board of Directors:

- to purchase ordinary shares of the Company of a nominal amount of EUR 2.00 each, within a revolving limit of 9,842,490 shares, also including the shares already in the portfolio, with the additional constraint that the amount of the shares shall never at any time exceed EUR 24,600,000.00 (without prejudice to the limit of distributable profits and of the available reserves pursuant to art. 2357, first section, of the Italian civil code);
- to set a minimum unit purchase price equal to EUR 2.00 Euro and a maximum unit price not exceeding the average price over the 10 days trading days on the stock exchange prior to the day of purchase, increased by 10%.

These purchases are made on Mercato Telematico Azionario (screen-based stock exchange) pursuant to art. 144-bis, first section, *letter b*), of CONSOB Regulation no. 11971/99.

Moreover, the Plan in question provides that the Board of Directors, following the Shareholders resolution of 18 April 2011, is authorised, with no time limits, to dispose, on Mercato Telematico Azionario (screen-based stock exchange) pursuant to art. 144-bis, first section, *letter b*), of CONSOB Regulation no. 11971/99, of the purchased shares at a unit price of no less than the average price over the 10 days trading days on the stock exchange prior to the day of purchase, decreased by 10%, as well as to dispose, again with no time limits, of treasury shares through share exchange transactions during any possible transactions of a strategic nature in the Company's interest including, in particular, exchange and/or conferral operations, under the condition that the valuation of the shares in these transactions is no less than the average carrying amount of the treasury shares held. Treasury shares may also be used without time limits in the service of stock grant and/or stock option plans, with the exception, in this case, to the aforementioned criterion of determining the sale price, which at any rate can be no less than the so-called "normal amount" provided for by tax laws.

The Board of Directors is also authorised to carry out securities loan transactions – in which Astaldi S.p.A. acts as lender – with regard to treasury shares.

Again as regards the procedures for selling and/or disposing of the purchased shares, without prejudice to the authorisation already granted in this regard, with no time limits, by the Shareholders at their Meeting of 18 April 2011 already mentioned, and in addition to it, the Shareholders at their Meeting of 23 April 2013 resolved to authorise, within the context of the equity linked bond approved on 23 January 2013 and entirely placed on 24 January 2013 (the "Bond") the Board of Directors – starting 27 May 2013 and with no time limits – to use the shares allocated to constitute the "securities portfolio," in compliance with the Bond regulations and within the limits of what is provided for by CONSOB no. 16839 of 19 March 2009, also to satisfy the bondholders' right to request any conversion of equity linked bonds into already existing ordinary shares of the Company.

In execution of what was decided upon, the Company, at 31 December 2016, possessed 657,471 treasury shares.

I) Management and coordination activity (pursuant to art. 2497 and following of the Italian civil code)

Astaldi S.p.A. is not subject to the “*management and coordination*” of any of its shareholders, in that the Company’s Board of Directors makes, with full independence and autonomy, all the most appropriate decisions with regard to managing the Company’s business.

* * * * *

Lastly, it is specified that:

- the information required by art. 123-bis, first section, letter i) (“*agreements between companies and directors ... that involve compensation in the event of resignation or dismissal without just cause, or if the employment relationship is terminated following a takeover bid*”) are illustrated in the Report on Remuneration published pursuant to art. 123-ter of the consolidated finance act – TUF;
- the information required by art. 123-bis, first section, letter l) (“*the regulations applicable to the appointment and the replacement of directors ... as well as the modification of the Company’s Bylaws, if different from the legislative and regulatory ones supplementarily applicable*”) are illustrated in the section of the Report dedicated to the Board of Directors (Sect. 4.1).

3. COMPLIANCE (pursuant to art. 123-bis, subsection 2, letter a), of the consolidated finance act – TUF)

As stated in the introduction, Astaldi S.p.A., also as a company listed on the STAR Segment, adheres to the Code of conduct prepared in 1999 by Borsa Italiana S.p.A., and subsequently modified by the Corporate Governance Committee.

The latest revision of the Code of conduct was made in July 2015, in order to update it to recent regulatory and self-regulatory developments.

The code in question is accessible to the public on the website of the Corporate Governance Committee, at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

The Company’s governance structure is substantially in line with the recommendations of the Code of conduct and has been constantly adjusted to its recommendations. The Company’s current governance is in line with the edition published in July 2015 by the Corporate Governance Committee, in the terms illustrated hereunder.

In line with the arrangement adopted last year, and in order to best represent the application of the principle of “comply or explain,” the Report takes into account the recommendations of the Code of conduct that it was deemed fitting not to adopt, providing justification therefor, and describing any alternative behaviour adopted. It is in fact to be kept in mind that the 2014 edition of the Code, in adopting European Recommendation no. 208/2014, already asked issuers to clearly indicate the specific recommendations of the Code that were disregarded, and to describe, clearly and comprehensively, the reasons for the non-application and for any adoption of alternative criteria, as well as to explain whether the deviation was limited in time.

Astaldi S.p.A., like its subsidiaries, is not subject to non-Italian provisions of law influencing the Company’s corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (pursuant to art. 123-bis, subsection 1, letter I), of the consolidated finance act – TUF)

Pursuant to the provisions of the regulations in force, the Bylaws of Astaldi S.p.A. provides for the “**slate voting**” system with regard to the appointment of its Board of Directors.

In particular, the Bylaws state that shareholders that, on their own or jointly with other shareholders that contribute towards the **submission** of the same slate, taken together hold shares representing at least **2.5%** of the share capital (or the lesser amount that may be provided for by the application provisions of law or regulations) with rights to vote in the ordinary Shareholders' Meeting are entitled to submit slates.

Again according to the Bylaws, the slates, signed by those submitting them and bearing the indications provided for by law, must be **lodged** at the Company's main office, following the procedures and by the deadlines provided for by the application regulations.

The directors are **elected** in the following manner:

- 1) from the slate that has garnered the highest number of votes expressed by the shareholders, a number of directors is drawn, in the progressive order in which they are listed on the slate, equal to the total number of board members as established by the Shareholders, minus one. Should no slate have garnered a higher number of votes than the others, the Shareholders' Meeting must be reconvened for another vote to be held in accordance with the Bylaws;
- 2) from the slate that has garnered the second highest number of votes and is not linked, based on the criteria established by the regulations in force governing the election of minority auditors, to shareholders that have submitted or voted upon the slate that garnered the highest number of votes, one director is drawn, in the person of the candidate indicated with the first number on said slate. If several minority slates have obtained the same number of votes, the candidate most senior in age from among those appearing as number one on the slates garnering an equal number of votes shall be elected.

Should a **single slate** be submitted, or if no slate is submitted, the Shareholders shall resolve with the majorities in accordance with the law, without observing the above procedure.

For the purposes of the **subdivision** of the directors to be elected, no account is taken of the slates that have not garnered a percentage of votes at least equal to one half of that required for the purposes of submitting the slates.

The Bylaws state that the slates must be accompanied, among other things, by the declarations by the candidates attesting, under their responsibility, to their possession of the **requirements of independence** required by law.

Moreover, in order to ensure the election of the **minimum number of independent directors** based on the requirements of art. 147-ter, subsection 4, of the consolidated finance act – TUF, the Bylaws expressly provide that *“each slate shall contain the candidacy of persons having the requirements of independence established by law, and at least equal to the number of independent directors that by law must be present in the Board of Directors.”*

In order to ensure a gender balance, art. 16 of the Company's Bylaws, in implementation of the provisions of art. 147-ter, subsection 1-ter, TUF, establishes that each slate that contains three or more than three candidacies must include a number of candidates, possessing the requirements established by law and by the Bylaws, that is an expression of the gender less represented within the Board of Directors, in a number equal to **one fifth** of the candidates who shall make up the Board of Directors entering office on the occasion of the first renewal of the Board of Directors after 12 August 2012, and equal to **one third** of the candidates who shall make up the Board of Directors to be appointed for the following two terms.

With regard to the **directors leaving office**, the Company's Bylaws also provides that, should during the financial year one or more directors elected from the **slate that has garnered the highest number of votes** leave office, and provided that the majority still consists of directors appointed by the Shareholders, actions will be taken pursuant to art. 2386 of the Italian civil code.

On the other hand, should the director elected from the **slate that garnered the second highest number of votes** leave office, the Bylaws provide that he or she shall be replaced as follows:

- a) the Board of Directors appoints the replacement from those belonging to the same slate to which the director leaving office belonged, under the condition that the shareholders that submitted said slate have maintained the shareholding interest required for submitting the slate, and at the subsequent meeting, the Shareholders resolve, with the majorities required by law, in line with the same principle. Should the director in question leave office after the first renewal of the Board of Directors after 12 August 2012 or during the two terms of office thereafter, and if this has altered the balance between the genders represented in the Board of Directors, replacement shall take place by going down the slate until identifying the candidate who expresses the less represented gender;
- b) should it prove impossible to appoint the replacement from the slate that garnered the second highest number of votes pursuant to letter a) above, the Board of Directors – in compliance with gender balance, where the office-leaving takes place after the first renewal of the Board of Directors after 12 August 2012 or during the two terms of office thereafter – appoints the replacement from those belonging to the slates following the slate that garnered the second highest number of votes, in progressive order, under the condition that the shareholders that have submitted the slate from which the substitute is drawn have maintained the shareholding interest required for submitting the slate, and at their subsequent meeting, the Shareholders resolve, with the majorities required by law, in line with the same principles;
- c) if no candidates not elected earlier remain, or, at any rate, when for any reason it is not possible to comply with the provisions of letters a) and b), the Board of Directors shall see to replacement, as the Shareholders establish at their subsequent meeting establishes, with the legal majorities without slate voting, but at any rate in compliance with the provisions of the regulations and of these Bylaws as regards the minimum number of independent directors and gender balance, when the office-leaving takes place after the first renewal of the Board of Directors after 12 August 2012 or during the two terms of office thereafter.

Moreover, the Bylaws establish that should the majority of directors leave office for any reason, the entire Board of Directors shall be removed from office and the directors remaining in office shall urgently call the Shareholders' Meeting in order to appoint the new Board of Directors. Moreover, the Board of Directors shall remain in office until the Shareholders have resolved as to the Board's renewal, and there is

acceptance by more than one half of the new directors; until that time, the Board of Directors may carry out solely acts of ordinary administration.

Succession plans

Given also the composition of the Company's shareholding, the Board of Directors has not seen fit to adopt a plan for the succession of executive directors.

4.2 COMPOSITION (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

The Board of Directors of Astaldi S.p.A. was appointed by the Shareholders at their Meeting of 20 April 2016. The Shareholders' Meeting decided that the Board would have nine (9) members, and set the duration for the 2016-2018 financial years.

The aforementioned appointment was made in compliance with the Company's Bylaws and with art. 147-ter of the consolidated finance act – TUF.

In compliance with the legal deadlines for submitting the slates of candidates for the members of the Board of Directors, the shareholder FIN.AST. S.r.l., holder of 39,605,495 shares equal to 40.239% of the share capital, submitted the following slate:

SLATE OF CANDIDATES
1. Paolo Astaldi
2. Caterina Astaldi
3. Paolo Cuccia
4. Piero Gnudi
5. Chiara Mancini
6. Nicoletta Mincato
7. Ernesto Monti
8. Filippo Stinellis
9. Michele Valensise

No other slates were submitted

The slate of the shareholder FIN. AST. S.r.l. garnered the favourable vote of 99.624% of the share capital present at the Shareholders' Meeting electing the nine (9) members of the Board of Directors.

At the time of appointment, the Board of Directors was thus composed of the following members: Paolo Astaldi, Ernesto Monti, Michele Valensise, Filippo Stinellis, Caterina Astaldi, Paolo Cuccia, Piero Gnudi, Chiara Mancini, and Nicoletta Mincato (all on the only submitted slate).

The average age of the members of the current Board is 58 years; slightly lower than that of the previous Board, 61 years.

The board members' skill and professionalism is highly diversified. A Board representation with such great technical skill in the sector in which the Company operates is joined by directors who have the managerial and cultural background to guarantee constructive and fruitful board debate in the interest of the Company and the shareholders.

The appointment of the shareholders Caterina Astaldi, Chiara Mancini, and Nicoletta Mincato also made it possible to amply fulfil the gender balance obligation required by law no. 120 of 12 July 2011, and by the Bylaws (art. 16).

After the Shareholders' Meeting's appointment, the newly elected Board of Directors, in application of the requirements of art. 18 of the Company's Bylaws – on 20 April 2016 appointed Paolo Astaldi as the Company's Chairman, and Ernesto Monti and Michele Valensise as Deputy Chairmen; Filippo Stinellis was appointed CEO.

Again on the occasion of the post-appointment Board, also in consideration of the delegated powers conferred at that time, the existence of the requirements of independence pursuant to art. 3 of the Code of Conduct was assessed for the directors Paolo Cuccia, Piero Gnudi, Chiara Mancini, and Nicoletta Mincato. The same directors were qualified as independent also pursuant to art. 147-ter of the consolidated finance act – TUF by the Board itself.

Also qualified as independent, pursuant to art. 147-ter of the consolidated finance act – TUF, was Ernesto Monti.

As to the personal and professional characteristics of each director, refer to what is published on the Company's website (www.astaldi.com) in the "Governance" section – "Board of Directors subsection."

As to the composition and characteristics of the Board of Directors in office, see Table 2 in the appendix.

The current Board of Directors expires from office with the Shareholders approving the financial statements at 31 December 2018.

Maximum accumulation of offices held in other companies

Since 2006, the Company's Board of Directors has, by a decision for this purpose, identified the general criteria adopted by the Company with regard to the maximum number of positions as director or statutory auditor that the Company's board members may hold in other companies listed in regulated markets (including foreign markets), in financial firms, banks, insurance companies, or entities of significant size, as provided for by art. 1.C.3 of the Code of conduct.

In particular, the Board of Directors, on that occasion, decided to identify the following maximums:

- **6** (cumulative) positions as director or statutory auditor for "non-executive" and "independent" directors;
- **4** (cumulative) positions as director or statutory auditor for "executive" directors.

However, for the purposes of calculating the above, no account is taken of the positions as director or statutory auditor held by Astaldi S.p.A. board members within other Group companies.

Induction Programme

Unceasing changes in laws and regulations require all subjects who hold positions in management and control bodies of listed companies to constantly and transversally update application of the rules of corporate governance. In this perspective, and with the aim of incentivising the presence of adequate professional figures in the corporate bodies, the Code of conduct asks the chairmen of the companies to promote the participation by board members and statutory auditors in initiatives suitable for providing them with adequate knowledge of the sector of activity in which the issuer operates, of the corporate dynamics and of their evolution, of the principles of proper risk management, and of the regulatory and self-regulatory framework of reference. The Code also recommends stating in the report on corporate governance the type and organisational procedures of the initiatives that took place during the financial year of reference (*application criterion 2.C.2*).

In implementation of the Code's recommendations, also during the financial year that has just ended, meetings were held between board members, statutory auditors, and some company managers, aimed at illustrating, with the necessary degree of detail, the development of the company's business and at affording the best knowledge of the Company's Business Plan. With the objective of implementing the level of knowledge of the Company's business by the board members and statutory auditors, during the Board of Directors meeting of 20 December 2016, a disclosure, detailed also from a technical standpoint, was provided with regard to the E-ELT (European Extremely Large Telescope) project. Commissioned by the ESO (European Organisation for Astronomical Research in the Southern Hemisphere), the project will be carried out by Astaldi S.p.A. and CIMOLAI S.p.A. working in a joint venture. The E-ELT will be the most important project launched by ESO and will be built in Chile atop Cerro Armazones, in the central part of the Atacama desert, at an elevation of 3,000 metres above sea level. The telescope's focus capability will be 100,000,000 times better than the human eye, and it will be able to gather more light than all the largest telescopes currently existing on the planet, combined; their main mirrors have diameters of 8-10 metres, against the 39.3 metres boasted by the new E-ELT.

4.3 ROLE AND FUNCTION OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

The Board of Directors plays a central role in the corporate organisation.

It is tasked with the responsibility for the Group's strategic and organisational policies, as well as verifying the existence of the checks needed to monitor the trends of the Company and of the Group. Pursuant to art. 22 of the Company's Bylaws, the Board is vested with the broadest powers for the Company's management.

Number of meetings and duration

In line with the provisions of the Bylaws, during the 2016 financial year, 10 meetings of the Board of Directors were held, for an average duration of about 1 and a half hours per meeting, with a limited number of absences – all justified – of board members and of statutory auditors.

It is also specified that four meetings (19 January, 22 February, 09 and 16 March 2016) were held by the Board of Directors in office until the Shareholders' Meeting of the following 20 April.

Moreover, the Board of Directors, in compliance with the stock exchange's regulations in this regard, approved and then disclosed to Borsa Italiana S.p.A. and to the market, with reference to the 2017 financial year, the **calendar** of dates of upcoming Board meetings for the approval of the financial

statements draft, of the interim financial report, and of the interim reports on operations (the “2017 Corporate calendar”), as reported hereunder and available on the company’s website (“Governance/Financial calendar” section).

Corporate Event	Purpose	Date
Board of Directors	Approval of the Draft of the separate financial statements and of the consolidated financial statements for 2016	14 March 2017
Shareholders’ Meeting	Approval of the financial statements for 2016	21 April 2017
Board of Directors	Approval of the First Quarterly Report	10 May 2017
Board of Directors	Approval of the Interim Financial Report for 2017	02 August 2017
Board of Directors	Approval of the Third Quarterly Report	08 November 2017

During 2017, in addition to 14 March – the date of approval hereof –, the Company’s Board of Directors met on 16 February. The meeting was not included in the financial calendar as above, since no accounting documents and/or periodic financial reports of the Company were examined.

Activities of the Board of Directors

In *application criterion* 1.C.1, the Code of conduct sets out a series of attributions reserved for the Board of Directors, called upon to achieve an efficient management of the Company. In order to permit a better representation of the application of the comply or explain mechanism, certain information regarding the application of the recommendations of the Code of conduct was grouped together in this paragraph, in accordance with a criterion of homogeneity.

As in any complex business setting, it is the Company’s practice to examine and approve the Company’s and the Group’s strategic, business, and financial plans. The examination of the business plan takes place annually and the Company constantly monitors the implementation thereof.

As will be better specified in paragraph 10 below, the Board of Directors performs a central role among the figures involved in managing the “Internal control and risk management system.” In implementation of

the recommendations of *application criterion 7.C.1*, letter a) of the Code of conduct, the Board is called upon to define the guidelines of the internal control and risk management system, in such a way that the main risks related to the issuer and its subsidiaries are properly identified, as well as adequately measured, managed, and monitored, while also determining these risks' degree of compatibility with a company management consistent with the strategic objectives identified.

The Code of conduct also recommends, under *application criterion 1.C.1*, letter b), that the Board of Directors define the nature and the risk level compatible with the issuer's strategic objectives, also including in its assessments all the risks that can take on importance with a view to the medium/long-term sustainability of the issuer's activity.

In application of the Code's recommendations, the Board of Directors, constantly aided by consultation with and proposals from the control and risks committee, has defined the guidelines of the risk management and control system and has ascertained that the main risks pertaining to Astaldi S.p.A. and its subsidiaries are properly identified, as well as measured, managed, and monitored.

The Board defined the nature and the risk level compatible with the Company's strategic objectives. This definition concludes a portion of the project started during the last quarter of 2014, aimed at defining the Group's "Risk Appetite Statement" and the thresholds of tolerability; this is in the intent to reinforce awareness of the corporate structures in the matter of managing risks, and with the aim of improving the performance and sustainability of the business.

Given the central importance of the risk profile in an efficient and effective governance system, the Company, with the intervention of all the departments and parties involved in the risk management process, will continue to constantly monitor and update the system, in order to include in its own assessments all the risks that may take on importance with a view to the medium/long-term sustainability of the issuer's activity, in line with the recommendations of the latest edition of the Code of conduct. As shall be fully emphasised in paragraph 9 below, the structure, through the Management Control and Corporate Risk Management Department, pursued, during 2016 and to date, the process of identifying and monitoring the main corporate risks.

In implementation of the provisions of the Italian civil code, the Company has assessed the adequacy of the organisational, administrative and accounting system of the Company and of the subsidiaries having strategic importance, also focusing particular attention on the internal control and risk management system, in application of the recommendations of *application criterion 1.C.1*, letter c) of the Code of conduct.

The Company, in its Bylaws, has established a quarterly frequency with which the CEO must report to the Board as to the activity performed in discharging the powers delegated to him or her. Also on the strength of the information received from the delegated bodies, the Board of Directors, in application of *application criterion 1.C.1*, letter e) of the Code of conduct, on the occasion of the meetings held during the 2016 financial year, regularly assessed the general management trend, periodically comparing the results achieved with those planned.

Pursuant to *application criterion 1.C.1*, letter f) of the Code of conduct, the law and the Bylaws reserve for the Board of Directors the examination and prior approval of the operations of the Company and of its subsidiaries, when said operations have significant strategic, economic, or financial importance for the company. However, the Board has not established general criteria for identifying the operations that have significant strategic, economic, or financial importance for the Issuer. This is because, due to the

particular features of the corporate business, it is more appropriate to assess from time to time the significance of the operations that are implemented, in the context of the periodic information reported by the delegated bodies to the Board of Directors.

Pre-Board meeting disclosure

In order to ensure complete and proper assessment of the subjects brought to the board members' attention, the **pre-Board meeting documentation** is made available (where possible, in electronic format, using a portal accessible via Internet connection) by the secretary of the Board of Directors, assigned by the chairman, to the board members and to the statutory auditors, prior to each meeting.

It was not deemed appropriate to identify a specific deadline for sending the documentation, given that the procedures and the customary interval of time for making it available is such as to guarantee suitable disclosure.

In any case, in application of the recommendations of the *Comment* to art. 1 of the Code of conduct, the chairman sees that the items on the agenda are, during the Board meetings, given the time needed to guarantee adequate analysis.

Moreover, again adopting the suggestions of the same *Comment* to art. 1, on several occasions the good practice was adopted of accompanying voluminous and complex documentation with an executive summary, aimed at outlining its most salient and relevant points.

Lastly, in the intent to give the Board meetings value as a moment to facilitate the acquisition of suitable information with regard to the Company's management, at the chairman's urging, some Company managers were allowed to attend also in order to provide appropriate analysis on the items on the agenda, as provided for by *application criterion* 1.C.6 of the Code of conduct. Therefore, during 2016, at each of the Board meetings and in line with the items on the agenda, the managers with specific interest attended.

* * * *

4.4 BOARD EVALUATION

In line with the recommendations of the Code of conduct (*application criterion* 1.C.1, letter g), the Board of Directors is asked, at least once a year, to provide an evaluation of the function, size, and composition of the Board and its committees (the "Board evaluation").

The Board has seen to carrying out the appropriate evaluations in as to the function of the Board and of its committees, and their size and composition, also taking into account the professional characteristics and those of experience and gender, as well as the seniority, of their membership.

This evaluation was done by means of a self-assessment system (the "Board Performance Review") which saw the involvement of all the Company's board members, who were asked to fill out a questionnaire developed by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman. In line with past years, the questionnaire regards the aspects connected with the organisation, composition, and function of the Board and of the committees set up within it.

In line with the suggestions of the Corporate Governance Committee (*cf.* 2013 Annual Report, available at <http://www.borsaitaliana.it/comitato-corporategovernance/documenti/comitato/relazionecomitato2013.pdf>), the contents of the "Questionnaire" were modulated also in consideration of the three-year term of the Board of Directors, and of the specific phase of the term in progress.

The results of the Board Performance Review, submitted to the Board at its meeting of 09 November 2016, confirmed certain areas in which the Company's board members deem they are fully satisfied, such as, specifically:

- the atmosphere at board meetings, which allows the active participation of board members;
- the Board's leadership and management, deemed to be in line with the best standards;
- the relationship between independent board members and the Company's top management, which is considered a positive and constructive one;
- the understanding and sharing of operative and result targets;
- representation of the female gender in the Board.

The set of skills within the Board of Directors was also found sufficiently balanced.

With reference to *application criterion* 1.C.4. of the Code of conduct, it is emphasised that the Shareholders of Astaldi S.p.A. did not authorise – either generally or preventively – exceptions to the competition prohibition provided for by art. 2390 of the Italian civil code.

4.5. DELEGATED BODIES

CHAIRMAN

The activities of the Board of Directors are coordinated by the Chairman.

The Chairman calls the Board meetings and guides their proceedings, ensuring that the board members are, with reasonable lead time – except for cases of necessity and urgency – given the documentation and information needed for the Board to be able to make an informed opinion of the matters subject to its examination.

CEO

The Company's Board of Directors, at the meeting of 20 April 2016, appointed Filippo Stinellis as the Company's **CEO** tasked with identifying, in agreement with the Chairman and the Deputy Chairman Michele Valensise, the Company's development strategies to be submitted to the Board of Directors, and with seeing to the implementation thereof in compliance with the Board's directives and decisions.

As broadly illustrated in the Report on corporate governance for the 2015 financial year, the installation of Filippo Stinellis as CEO had already taken place pending the end of the term of the previous Board of Directors, in order to achieve a more effective supervision over the company's business activity. The appointment of Filippo Stinellis as CEO of the current Board of Directors is in continuity with the process of reorganising and repositioning the internal arrangements and supports, and of strengthening the business policies aimed at pursuing sustainable growth, a stronger financial structure, and a stronger organisational structure.

As regards the powers conferred, the Company's Board of Directors has identified the following limits: (i) to sign bids for taking on contracts and/or concessions, also under project financing, up to the amount of EUR 600 million, and, if the bids are awarded, to execute the contracts therefor, and to sign any other document necessary for this purpose; (ii) to execute, amend, and terminate contracts for the purchase and sale of real property up to the maximum amount of EUR 2,600,000.00 per transaction.

Filippo Stinellis serves in the office of Chief Executive Officer, as he is the main party responsible for the management of Astaldi S.p.A. and currently holds no position as director in another issuing company not in the Group, of which a director of Astaldi S.p.A. is Chief Executive Officer. Therefore, there is no situation of “interlocking directorate” as provided for by the *application criterion* 2.C.5. of the Code of conduct.

It is lastly specified that until the date of the Board of Directors meeting of 03 August 2016, CEO Filippo Stinellis held the position of General Manager for Turkey, Iran, and the Far East. At that time, the Board of Directors, again in the logic of strengthening the Company’s strategic and business supports, proceeded with a reorganisation of the general managements, completing the appointment process of the top management, already begun with the Board of Directors decision of 20 April 2016.

It is lastly to be pointed out that, due to a precise organisational choice by the Company, the General Managers are Qualified as Managers with Strategic Responsibilities.

As of the date of approval hereof, the General Managers and the General Managements under their responsibility are as follows:

- **Paolo Citterio**: General Manager, Administration and Finance
- **Cesare Bernardini**: Company’s General Manager for activities to be performed in Europe, including Russia, Africa, Georgia, and the Middle East, as well as in Italy, with regard to the performance of all the works connected with the contract for upgrading the Munich-Verona railway axis – Brenner railway tunnel;
- **Marco Foti**: Company’s General Manager for activities to be performed in Italy, Algeria, Morocco, and Tunisia;
- **Francesco Maria Rotundi**: Company’s General Manager for activities to be performed in the countries of the American Continent, including the Caribbean;
- **Fabio Giannelli**: Company’s General Manager for activities to be performed in Turkey, Iran, and the Far East;
- **Mario Lanciani**: General Manager of the Company’s Business Services.

DISCLOSURE TO THE BOARD

The CEO reports constantly, and at any rate **at least on a quarterly basis** pursuant to the Bylaws, to the Board of Directors and to the Board of Statutory Auditors, as to the main activities carried out in the discharge of his attributions.

4.6 OTHER EXECUTIVE BOARD MEMBERS

The Chairman Paolo Astaldi, the CEO Filippo Stinellis, as well as the Deputy Chairman Michele Valensise, represent the executive component of the Board of Directors, as shown in Table 2 in the appendix, and hold executive positions in the Company.

4.7 INDEPENDENT DIRECTORS

In line with previous boards, the Board of Directors includes a healthy representation of independent directors.

As pointed out above, the Board of Directors meeting of 20 April 2016, at the moment of assessing the independence of the board members, qualified as independent Paolo Cuccia, Piero Gnudi, Chiara Mancini and Nicoletta Mincato, both pursuant to art. 3 of the Code of conduct and art. 147-ter of the consolidated finance act – TUF.

The board member Ernesto Monti was assessed as independent pursuant to art. 147-ter of the consolidated finance act (TUF) and the attribution of deputy powers for performing this role in no way altered his non-executive profile during the financial year, in keeping with art. 2 of the Code of conduct.

At the date of approval hereof, pursuant to *application criterion* 3.C.4 of the Code of conduct, the yearly assessment of these directors' independence was performed, yielding no changes from the prior situation. The prerequisite of independence provided for by art. 147-ter of the consolidated finance act (TUF) was also confirmed.

In implementation of the recommendations of *application criterion* 3.C.5, the Board of Statutory Auditors checked the proper application of the criteria and of the verification procedures adopted by the Board to assess its board members' independence.

During the 2016 financial year, the independent directors did not see fit to meet in the absence of the other directors.

4.8 LEAD INDEPENDENT DIRECTOR

The Board did not see fit to designate the figure of Lead Independent Director. As shown above, the Chairman of the Board of Directors does not have delegations that allow him or her to be qualified as "main party responsible for the company's operation," as specified in *application criterion* 2.C.3, nor does he or she "control" it.

In any case, the strong presence of independent directors guarantees a balance of positions within the Board of Directors.

5. TREATMENT OF CORPORATE INFORMATION

Application criterion 1.C.1. letter j) of the Code of conduct recommends that companies adopt a procedure for the internal management and external communication of documents and information regarding the issuer, with particular reference to privileged information, for the purpose of guaranteeing the proper internal management and prompt communication to the outside of every important event taking place within the sphere of activity of the Company and its subsidiaries.

In implementation of the recommendation of the Code of conduct and of the regulations of reference in the matter of market abuse, on 12 November 2002 the Company adopted a procedure for the management of corporate information, which has been revised on a number of occasions. In brief, the procedure regulates the ways in which corporate information is managed, requiring, among other things, that those who are made aware of this information act as liaison between their own area and corporate leadership, so as to allow these facts or this information to be suitably assessed. The procedure already guarantees effective support with regard to corporate information, and in particular the so-called "privileged" information.

The Company, through the Corporate Affairs and Corporate Governance Department and the Office of the Chairman, is updating the procedure so as to bring its content in line with the new European regulations on market abuse, to which the Company has referred ever since they entered force.

6. COMMITTEES WITHIN THE BOARD

(pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

In order to facilitate the function of the Board of Directors, 2002 – the year Astaldi's shares began trading – saw the establishment within the Board of the Remuneration Committee and the Internal Control Committee, later called the Control and Risks Committee in order to bring its name in line with the revision of the Code of conduct made in 2011.

In 2013, the Company instituted the Appointments Committee.

In addition to the committees recommended by the Code of conduct, an ad hoc committee for transactions with related parties was instituted in keeping with the requirements of CONSOB Regulation no. 17221 of 2010.

During 2015, also in light of the variations in the composition of the Board of Directors in office at the time, the need emerged to reorganize the committees within the Board, as well as to assess whether it was appropriate to reduce the number thereof, as this organisational solution is deemed to be functional to the Board's more efficient activity and in line with the market's best practices. As is known, the Code of conduct allows for distribution and assignment of the functions attributed to various committees to a smaller number than those identified by the Code, provided that the rules of composition as recommended by the Code from time to time are complied with, and the achievement of the recommended objectives is guaranteed. Starting from this premise, and with a view to guaranteeing a simplification of its organisation, the Board of Directors, at the session of 14 May 2015, resolved to combine the Remuneration Committee with the Appointments Committee, redefining the composition thereof accordingly.

After the Shareholders' Meeting of 20 April 2016, which renewed the Board of Directors, the Board appointed internal committees, and adhered to the approach of maintaining the unity of the Appointments Committee and the Remuneration Committee.

7. APPOINTMENTS AND REMUNERATION COMMITTEE

The Board of Directors meeting of 20 April 2016 established an internal Appointments and Remuneration Committee.

Composition and function of the Appointments and Remuneration Committee (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

The Appointments and Remuneration Committee currently consists of three non-executive directors, the majority of whom independent, in accordance with the following scheme:

Piero Gnudi	(Chairman)	Non-executive/independent
Ernesto Monti		Non-executive/independent

Paolo Cuccia

Non-executive/independent

The committee's composition is in line with the recommendations of *principle* 6.P.3 of the Code of conduct, and the competence of all its members guarantees a suitable level of knowledge and experience in financial matters or remuneration policies.

As to the composition and features of the Appointments and Remuneration Committee, see the Table 2 in the appendix.

Functions of the Appointments and Remuneration Committee

The adoption of an organisational solution calling for a committee that incorporates the responsibilities of both the Appointments and the Remuneration Committees involves, as a consequence, the centralisation of all the functions under its purview.

With specific reference to the responsibilities reserved by the Code of conduct for appointments, in implementation of the recommendations of *application criterion* 5.C.1., it has been given the following tasks: (i) to formulate opinions for the Board as to the size and composition thereof, (ii) to make recommendations as to the professional figures whose presence in the Board is deemed appropriate, (iii) to propose candidates for the office of director in cases of co-opting, where an independent director must be replaced.

As regards the responsibilities reserved for the Remuneration Committee, in implementation of art. 6 of the Code of conduct, it has been given the following tasks: (i) to periodically assess the adequacy, overall consistency, and concrete application of the remuneration policy for directors and key management personnel, relying in this latter regard on the information provided by the CEO; (ii) to make proposals to the Board of Directors in these matters; (iii) to submit proposals or express opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold special positions, and on setting the performance targets related to the variable portion of said remuneration; (iv) to monitor the application of the decisions adopted by the Board of Directors, verifying, in particular, the actual achievement of the performance targets.

Meetings of the Appointments and Remuneration Committee

During 2016, the Appointments and Remuneration Committee held five meetings, averaging about an hour in duration, almost always attended by all its members and, in most cases, by the Board of Statutory Auditors in its entirety.

The committee's meetings are preceded by intense pre-investigation activity, coordinated by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman.

The committee's meetings, even where held jointly with the related parties committee, were attended by the Board of Statutory Auditors.

The minutes of each Committee meeting are drawn up and kept by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman.

The committee Chairman provides information as to the meeting that was held, at the first convenient Board of Directors meeting.

As mentioned a number of times, the 2016 financial year was marked by the appointment of a new Board of Directors and its internal committees.

In order to provide a complete representation of all the meetings held in 2016, this Report also includes those held by the prior Appointments and Remuneration Committee and, specifically, those following approval of the Report on corporate governance and ownership structure for the 2015 financial year.

On 09 March, the then Appointments and Remuneration Committee met to verify having achieved the parameters established for the assignment of the stock grants for the 2015 financial year.

On that same date, the committee met along with the related parties committee, to define a proposed agreement between the Company and the CEO Stefano Cerri with a view to the Board's scheduled expiry and the possible failure to renew its mandate. The Company's Chairman Paolo Astaldi and the entire Board of Statutory Auditors were invited to attend the meeting.

On 16 March, the Appointments and Remuneration Committee also met to define a draft of the "Stock grant plan for top management" for the 2016-2018 period, to be submitted for the approval of the outgoing Board of Directors. The document was made available to the public by the legal deadlines, and brought for the approval of the Shareholders' Meeting of 20 April 2016. In line with the prior one, the new Plan also provides for a system of bonuses, to be paid on a three-year basis, upon achieving the performance objectives defined yearly by the Board of Directors at the committee's proposal. The Plan also provides that when the objectives are achieved, the Company's shares are assigned, free of charge, to the CEO, the general managers, and key management personnel in the terms better described in the Report on remuneration, to be referred to in full.

After the installation of the new Board of Directors and after its establishment, the Appointments and Remuneration Committee met on 10 May, 27 June, and 09 November.

At the 10 May 2016 meeting, the committee formulated opinions as to the payments to be made to directors vested with special assignments, pursuant to the requirements of art. 2389, subsection 3, of the Italian civil code, and of the general managers, as they are qualified as Managers with Strategic Responsibilities, and as such, subject to the Remuneration Policy dated 16 March 2016. Again at the session of 10 May 2016, the committee also proposed the Regulation of the 2016-2018 Incentive Plan, in compliance with the requirements of said Plan, and also formulated a proposal as to the Incentive Plan's parameters for the 2016 financial year, as well as a proposal related to the so-called *Success fee*/MBO incentive system connected with the disposal of the assets in concession and to be attributed to Chairman Paolo Astaldi.

At the meeting of 27 June 2016, the Appointments and Remuneration Committee completed the proposal to the Board of Directors with regard to the parameters upon whose achievement the stock grants for the 2016 financial year will be assigned.

On that same date, the committee then met with the related parties transactions committee, which defined in detail the content, conditions, and modes of execution of *Success fee*/MBO.

The committee lastly met on 09 November 2016, along with the related parties committee, for the payment of the *Success fee*/MBO to the Chairman by virtue of the transfer of one of the stakes included within the scope of the assets subject to disposal.

8. REMUNERATION OF DIRECTORS

General Remuneration Policy

With reference to the issue of remuneration and to the *principles* and *application criteria* recommended by art. 6 of the Code of conduct, reference is made to the report that shall be published pursuant to art. 123-

ter of the consolidated finance act – TUF, in accordance with the law, that shall be brought to the attention of the Shareholders at their upcoming Meeting approving the financial statements, and that formulates the general remuneration policy with reference to the 2017 financial year.

Indemnities of directors in the event of resignation, dismissal, or termination of the employment relationship following a takeover bid (pursuant to art. 123-bis, subsection 1, letter i), of the consolidated finance act - TUF)

The Company has not preventively established agreements that provide for indemnities in the event of early termination of the employment relationship.

The document also reports the information regarding the indemnities paid during 2016 to the directors, to the statutory auditors, and to the other key management personnel.

Incentive mechanisms for the manager of the internal audit department and for the manager in charge of financial reporting

With reference to the 2017 financial year, no specific incentive mechanisms were established for the offices of “manager of the internal audit department” and of “manager in charge of financial reporting.”

9. CONTROL AND RISKS COMMITTEE

In February 2002, the Company established an Internal Control Committee whose name – following the amendments made to the Code of conduct in December 2011 with impact on the corporate organisation – was changed, at the Board meeting of 01 August 2012, to the Control and Risks Committee.

The current Control and Risks Committee consists of 3 non-executive directors, the majority of whom independent, in accordance with the following scheme:

- Nicoletta Mincato (Chair, non-executive/ independent);
- Ernesto Monti (Non-executive/non-independent, expert in accounting and financial matters);
- Paolo Cuccia (Non-executive/ Independent).

The composition of the Control and Risks Committee is in line with *Principle 7.P.4* of the Code of conduct, which recommends, as an alternative to a committee composed entirely of independent directors, the presence of non-executive directors, the majority of whom independent, with the committee chair selected from among the latter. The personal characteristics of the members are such as to guarantee adequate experience in accounting and financial matters.

The proceedings of the control and risks committee are coordinated by the chair in compliance with the organisational procedures governing its operation, which are formalised in the committee Regulations revised during the 2015 financial year in order to adopt the operating procedures that governed the same committee in past compositions, and integrating it with certain aspects of governance, in line with the provisions on this issue contained in the Code of conduct for Listed Companies in the July 2015 edition.

The Control and Risks Committee, during 2016, held 5 (five) meetings, with an average duration of approximately 2 hours, almost always attended by all its members, respectively on 27 January, 22 February, 24 June, 06 July, and 22 November, with the Chairman of the Board of Statutory Auditors, and in most cases the entire Board of Statutory Auditors, on hand. The minutes of all the committee's meetings were duly taken down and transcribed in the minutes book.

The committee meets mainly on a quarterly basis, and in this regard, during the 2017 financial year, two meetings have already been held, respectively on 25 January and 16 February.

As already discussed with regard to the committee's operation, the meetings are always attended by: the Chairman of the Board of Statutory Auditors, in compliance with *application criterion 7.C.3.* of the Code of conduct, and the Internal Audit Department, as the Department Manager is the permanent secretary of the Control and Risks Committee (as per this committee's Regulations).

At the committee's invitation – with reference to the various issues dealt with in the items on the agenda with regard to the provisions of *application criterion 7.C.2.* – the meetings held during 2016 were also attended by parties other than the committee's members. More specifically: the Manager in charge of financial reporting, the Management Control and Corporate Risk Management Department, the Administrative Management, other involved corporate Managements/Departments, and outside parties, were invited to attend with regard to the issues discussed from time to time.

The committee assists the Board of Directors in the activities of guiding and assessing the internal control and risk management system, as better detailed under *application criterion 7.C.1.* of the Code of conduct, expressing in this regard a preventive opinion in the sphere of the functions of assessment, of making proposals, and of information that are attributed to this (7.C.2.).

More specifically, it performs the following tasks:

- a) it assesses, along with the manager in charge of financial reporting and having heard the opinion of the audit firm and of the Board of Statutory Auditors, the proper use of accounting standards and, in the case of groups, their uniformity for the purposes of drawing up the consolidated financial statements;
- b) it expresses opinions on specific aspects related to identifying the chief corporate risks;
- c) it examines the periodic reports regarding the assessment of the internal control and risk management system. More specifically, with reference to the internal control system, it analyses – in the examination phase – the work plan and the relevant periodic reports prepared by the Manager of the Internal Audit Department;
- d) it monitors the autonomy, suitability, effectiveness, and efficiency of the Internal Audit Department;
- e) it may ask the Internal Audit Department – where necessary – to perform the verifications on specific operative areas, providing communication thereof at that time to the Chairman of the Board of Statutory Auditors;
- f) it reports to the Board of Directors, at least every six months, on the occasion of the annual and interim financial report, on the activity performed and on the adequacy of the internal control and risk management system;
- g) it expresses its opinion with regard to the appointment, removal, remuneration, and adequacy of resources of the Manager of the Internal Audit Department.

During the five meetings held in 2016, the Control and Risks Committee performed control activities and dealt with issues of differing interest. More specifically, during said meetings, it examined and verified the chief corporate risks, with reference to the 2016 financial year. In this regard, during the Control and Risks Committee meeting held on 22 November 2016, the Management Control and Corporate Risk Management Department updated the Control and Risks Committee and the Board of Statutory Auditors on the progress of the activities of the ERM project which, begun in 2015, was finalised during the 2016 financial year, leading:

a) to the update of the ERM Risk Assessment, with definitive identification of the “Top Risk” categories;

b) to the identification and structuring of appropriate Risk Responses, as well as to the definition of the Key Risk Indicators and of the corresponding Risk Tolerances;

c) to the definition and approval of the Group Risk Appetite Statement;

d) to the start of systematic meetings by cross-office working tables to protect against the “Top Risks.”

- the proposed 2016 Audit plan, developed by the Internal Audit Department (hereafter, the “IAD”), based on a structured process of risk analysis prerequisite to the Board’s approval;
- the internal control activities planned and implemented with respect to the 2015 audit plan;
- the impairment test procedure for the Financial Statements at 31 December 2015, with the Administrative Management;
- the progress of the activities implemented during the financial year, with respect to the approved 2016 audit plan;
- the results of the testing activity for the purposes of Law no. 262/05, with reference to the 2016 financial year;
- the provisions of application criterion 7.C.2., a) of the Code of conduct;
- the projects of importance for the purposes of the internal control system that regarded: implementation of the MEGA Tool in support of the audit activities for the purposes of internal control and compliance as per Legislative Decree no. 231-01; the Action Plan actions following the revision of the Astaldi S.p.A. 231 compliance system; the updating of Fraud/IT Risk Assessment (latest 2013 revision) and operativity verifications on anti-fraud checks; revision of the Internal Audit Manual for the part on Fraud/IT Audit; finalisation of an Anti-fraud and Anti-corruption Policy; the results of the IT Audit follow-up done at the Warsaw Branch in Poland;
- the progress of the IAD’s Quality Assurance path.

The meetings of the Control and Risks Committee held during the 2016 financial year were always attended by the Chairman of the Board of Statutory Auditors and, in some cases, for the examination of the issues pertaining to the internal control system, by the entire Board of Statutory Auditors (*application criterion 7.C.3*). The minutes of the meetings of the Control and Risks Committee were taken down and transcribed in the committee’s book.

To discharge its functions, the Control and Risks Committee may access all information and may invite all necessary corporate offices to attend the meetings, including recourse to outside consultants, the needs for whom in terms of activities and man/day contribution are identified in the Work plan prepared by the IAD manager, which is examined by the Control and Risks Committee and approved yearly by the Board of Directors.

Although the Control and Risks Committee lacks its own budget, the resources needed for the purposes of the internal control activities, also with reference to the performance of the audit plan, are provided for and quantified in the Internal Audit Department’s budget.

In 2017, the Control and Risks Committee held two meetings: respectively on 27 January and 16 February 2017.

At the meeting of 27 January 2017, with the Chairman of the Board of Statutory Auditors and the Auditor Adiutori on hand, the following topics were discussed:

- examination and approval of the 2017 Work plan: proposed 2017 audit plan, and projects of importance for the purposes of the internal control system;
- verification of the internal control activities planned and implemented in the second half, in comparison with the approved 2016 audit plan.
- examination with the Administrative Management of the impairment test procedure regarding the financial statements at 31 December 2016.

At the 16 February 2017 meeting, the Committee, with the Chairman of the Board of Statutory Auditors and the Auditor Adiutori on hand:

- assessed, along with the Manager in charge of financial reporting, having heard the opinion of the audit firm and of the Board of Statutory Auditors, the proper use of accounting standards, in implementation of the provisions of application criterion 7.C.2, letter a) of the Code of conduct;
- performed the examination of the testing activity for the purposes of Law no. 262/05 for the 2016 financial year.

The committee then reported to the Board of Directors on the activity performed respectively in the first and in the second half of 2016.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM OF FINANCIAL REPORTING

The Company deems it fundamentally important for the development and management of its activities to maintain an effective internal control and risk management system, considered necessary to the company in achieving its objectives.

A sound internal control and risk management system, in line with national and international best practices, must be aimed at allowing – through a suitable process of identifying, measuring, and managing the risks and protections – the business to be run in a way that is healthy, proper and consistent with the pre-established objectives, in order to satisfy, in addition to its own internal needs, the external needs demanded by shareholders, by the corporate control bodies, and by laws and regulations of reference.

In this regard, the Company has defined its own internal control and risk management system through the set of rules, procedures, and organisational structures aimed at permitting:

- a) the individual corporate activities' compliance with the purpose the company aims to achieve, and with the directives issued by top management in compliance with internal and external regulations;
- b) the effectiveness and efficiency of corporate processes;
- c) the reliability and precision of the accounting documents, of information, and of economic and financial reporting;
- d) the safeguarding of company assets, with the identification of behaviour harmful to the corporate interest, and/or fraud.

The main, as well as current, methodical reference used by the company is the C.O.S.O. Report which, appropriately adapted to the company's particular features, is an effective analytical tool for performing the audit activities and assessing the Company's Internal Control system in its various components, and for providing top management with a clear vision of the aspects of improvement of the internal control and risk management system in terms of effectiveness and efficiency.

In 2010, with the institution of the Corporate Risk Management Department, the company embarked on its own development path towards the "CoSO ERM – Enterprise Risk Management Integrated Framework" model, in order to see to a codification of a structured and integrated risk management system. This model is taking on more and more importance in the internal control system's evaluation activities. In this regard, see section 9, on the Control and Risks Committee.

The players involved in the Company's risk control and management system are the Board of Directors, the Control and Risks Committee, the CEO in charge of the internal control and risk management system, the Board of Statutory Auditors, the audit firm, the Supervisory Body, the Manager of the Internal Audit Department, the Manager in charge of financial reporting, the Management Control and Corporate Risk Management Department, the second-level offices, management, and all the operating personnel within the sphere of their roles and responsibilities.

As pointed out in paragraph 4.3, the Board of Directors – in line with the guidelines of the internal control and risk management system defined by it and constantly aided by consultation with and proposals from Control and Risks Committee – verifies that the main risks pertaining to Astaldi S.p.A. and its subsidiaries are properly identified, as well as adequately measured, managed, and monitored, also determining their degree of compatibility with a healthy and correct running of the business, in line with the identified strategic, business, and financial objectives.

During the financial year, the Board of Directors was invited to assess aspects of corporate governance with regard to the verification of the main risks of the company and of the corporate internal control system, also through the reporting of the activities performed by the Control and Risks Committee.

In this regard, the Board, at the meeting of 22 February 2016, also on the basis of the examination activity performed by the Control and Risks Committee at the kick-off meeting held on 27 January 2016, examined and approved the work plan prepared by the manager of the Internal Audit Department. The plan document indicates the objectives, the applied methodology, the selection of the sample of projects, branch offices, companies, in Italy and abroad, as well as the corporate processes to be audited and the internal and external resources the office relies on to perform the activities.

Moreover, again at the Board meeting of 22 February 2016, also on the basis of the examination activity performed by the Control and Risks Committee, the BoD expressed an overall positive assessment of the adequacy, effectiveness, and actual operation of the Company's internal control and risk management system, with respect to the characteristics of the business and the assumed risk profile.

In these circumstances, with a view to the continuing to improve the entire system and make it more efficient, it asked that the identified areas of improvement, the object of specific recommendations, be implemented by the competent corporate structures.

As regards the specific assessments regarding the adequacy, operativity, and function of the internal control and risk management system, see sections 10.1 and 10.2.

10.1 A) MAIN CHARACTERISTICS OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS EXISTING WITH RESPECT TO THE FINANCIAL REPORTING PROCESS

With reference to financial reporting – an integral part of the internal control system – the activities are managed by a corporate operational structure that works in support of the Manager in charge of the financial reporting.

The system managing the risks related to the financial reporting process is an integral part of the internal control system implemented by the Company, since it is an essential component of the corporate processes aimed at guaranteeing that financial reporting is reliable, accurate, and timely.

The approach followed by the Company, based on the best practices of reference and particular on the *Co.S.O. Framework*, descends from a corporate control environment that places particular emphasis on defining the chief instruments of corporate governance. The risk management system and more generally the internal control system in fact provides for formalising special administrative and accounting procedures, and defining the roles and the related responsibilities, through an organisational chart and the corresponding delegations of function, of the delegations of office, of the internal regulations and codes of behaviour, and of the separation of offices.

In particular, the definition of the processes and of the related controls derives from the constant identification and analysis of those endogenous and exogenous factors that can compromise the achievement of corporate objectives, in order to determine how these risks can be managed (identification, measurement, and monitoring) so as to ensure a proper production of financial reporting.

The verification of the effectiveness of the control system against the risks that might have important effects on financial reporting – in particular – takes place through a testing activity, both on the occasion of the annual and interim financial reports, and marked by a top-down approach, in which the amounts, the processes, and the accounting items in question are identified. In this regard, the amounts are sampled with regard to their financial significance in the separate and consolidated financial statements. This specific testing activity is carried out by a dedicated office that depends on the Manager in charge of financial reporting, and the results of the test, as well as any recommended corrective action, are submitted for the examination of the Manager in charge.

To complete the main characteristics, it bears pointing out that, since the introduction of Law no. 262/05, the Parent ordered annual and interim financial reports of the branch offices and of the subsidiaries to be accompanied by an attestation written and signed by the legal representatives and administrative managers of the indicated entities. The attestation model reflects that provided for by the CONSOB regulation implementing Law no. 262/05.

The adopted system is subject to monitoring and continuous updating.

10.1 Director in charge of the Internal control and risk management system

In light of the provisions of principle 7.P.3., letter a), (i), of the Code of conduct, the Company's Board of Directors, during the meeting of 20 April 2016, appointed the CEO, Mr. Filippo Stinellis, as the "director in charge of the internal control and risk management system," who performs the tasks pursuant to principle 7.C.4 of the Code, in compliance with the company's risk management and control model and with the guidelines defined by the Board of Directors.

More particularly, the CEO:

- sees to identifying the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and by its subsidiaries, and submits them periodically to the examination of the Board of Directors;
- implements the guidelines defined by the Board of Directors, seeing to the design, development, and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness;
- sees to adapting this system to the dynamics of operating conditions and of the legislative and regulatory landscape;
- may ask the internal audit department to perform verifications with regard to specific operative areas and on compliance with internal rules and procedures in carrying out corporate operations, providing communication thereof at that time to the Chairman of the Board of Directors, to the Chairman of the Control and Risks committee, and to the Chairman of the Board of Statutory Auditors;
- reports promptly to the Control and Risks Committee (or to the Board of Directors) as to problems and critical areas emerging in the development of its activity, or of which he has been informed, so that the committee (or the Board) may take the appropriate initiatives.

With reference to *application criterion 7.C.4*, letter a), the Management Control and Corporate Risk Management Department (hereinafter, “CRM”) supports management in the decision-making process aimed at minimising risk throughout the corporate business cycle, in the various contractual settings (traditional contracts, general contracting, concessions, and project financing) and at the various levels of the corporate organisation (corporate, country, project).

The logical risk management model adopted at the company is three-dimensional, broken down by nature of risk (operative, strategic, financial, and compliance), by level (enterprise, Area, project), and by project phase (development, performance, and operation).

The evolutionary path conducted by the Management and Control Corporate Risk Management Department permitted the spread of a culture of risk and of a common language, also through a new and now established methodology of risk assessment within the Group, formalised in guidelines for the quantification and management of the main factors of risks/opportunities.

In this regard, reference is made to what was already illustrated in the sections related to the activities of the Control and Risks Committee (section 9), of the Internal Control and Risk Management System (section 10), and of the Board of Statutory Auditors (section 13).

The CEO, through the competent corporate offices, oversees all the regulatory developments/updates that can impact the company’s business, and therefore the management of risks and of the company’s internal control system, devoting particular attention to periodically verifying Astaldi’s compliance with the requirements of the Code of conduct from the corporate and organisational standpoint.

With reference to the latest update of the Code of conduct (July 2015), the IAD:

- a) is implementing a tool for integrated compliance, internal control, and 231 compliance, that may be shared with the second-level offices with the objective of strengthening their synergies, in keeping with the provisions of the aforementioned Code (“the control system, to be effective, must be “integrated”);
- b) has finalised a procedure on organisational anti-fraud and anti-corruption behaviour, which provides for defining a reporting system within the company (“whistle blowing”).

During the 2016 financial year, CEO Filippo Stinellis was also updated by the manager of the Internal Audit Department: on the audit plans and on the progress of the activities related to the internal control system; on the adequacy of the control supports as suitable for facing/mitigating the degree of risk shared and accepted by Top Management, also by means of minutes of the Control and Risks Committee and of the Board of Statutory Auditors, and the consolidated results of the verification reports regarding the audit activities provided for in the plan.

10.2 MANAGER OF THE INTERNAL AUDIT DEPARTMENT

In line with the requirements of the Code of conduct (*Principle 7.P.3.*, letter b), the Board of Directors appoints the “Internal Audit Department Manager” (or “IAM”) as the Manager of the Internal Audit Department (“IAM”). At Astaldi S.p.A., the Manager of the Internal Audit Department is Mr. Fabio Accardi, who was formerly charged with internal control starting 13 May 2009, appointed by the Board of Directors, at the proposal of the director tasked with the Internal Control and Risk Management System, upon hearing the favourable opinion of the Control and Risks Committee.

Yearly, on the occasion of the approval of the audit activities plan, the Board of Directors checks that the IAD has resources (internal and/or external specialists) adequate for the Plan’s coverage needs.

In this regard, the IAD quantifies the financial resources needed to perform its tasks, in relation to the activities to be performed during the financial year.

The IAD manager reports in the hierarchy to the Board of Directors, and in line with the provisions of the aforementioned application criterion:

- verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operativity 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 analysing and prioritising the main risks;
- is not responsible for any operative area;
- has direct access to all the information of use for carrying out the assignment;
- prepares periodic reports containing appropriate information on its activity, indicating the adequacy of the control supports as suitable for facing/mitigating the degree of risk shared and accepted by Top Management. The periodic reports contain an assessment of the suitability of the internal control and risk management system;
- promptly prepares reports on particularly important events;
- transmits the reports as per the above points to the chairmen of the Board of Statutory Auditors, of the Control and Risks Committee, and of the Board of Directors, as well as to the director tasked with the internal control and risk management system;
- verifies, within the scope of the audit plan, the reliability of the information systems, including the account measurement systems.

Moreover:

- collaborates with the Supervisory Body of the Parent Astaldi for updating the Organisation, Management, and Control Model pursuant to Legislative Decree no. 231/01, and lends assistance to performing the activities of monitoring and verifying compliance with said model;
- as assigned by Astaldi’s Supervisory Body, performs audits for the purposes of Legislative Decree no. 231/01;

- performs the role of Ethics Officer with the Parent, for the purposes of compliance with the Group's Code of Ethics;
- coordinates the activities of Astaldi's Ethics Committee;
- performs investigations as to the reports of violation of the Group's Code of Ethics, reporting to the Supervisory Body if they rise to becoming a breach or suspected breach of the Organisational Model pursuant to Legislative Decree no. 231/01;
- serves as Ethics Officer in the main subsidiaries, and for some important associates, for the purposes of compliance with the Group's Code of Ethics;
- coordinates the activities of the Group's Ethics Committees and of the Ethics Officers, where established, of the Group's investees;
- supports the Companies' Boards of Directors and supervisory bodies in drawing up and updating the Organisational Models pursuant to Legislative Decree no. 231/01;
- at the assignment of the supervisory bodies, performs audits pursuant to Legislative Decree no. 231/01.

The modes of operation for the audit activities, within the scope of the attributions of the IAD, are described in the "Internal Audit Manual," which has become the operating procedure of the Integrated Corporate Management System (IMS), after examination by the Control and Risks Committee and the Board of Statutory Auditors, and subsequent approval by the Board of Directors at the meeting of 10 November 2014. In particular, the Internal Audit Manual applies to the Group's context as pertains to the activities related to the Internal Control and Risk Management System, in compliance with international standards.

During the 2015 financial year, the Control and Risks Committee approved an updating to the aforementioned Manual as concerns the Fraud and IT Audit activities (the document thus revised was published on the corporate intranet on 22 February 2016).

During 2016, and in particular at the Board meeting of 22 February 2016, after the verification by the Control and Risks Committee and the Board of Statutory Auditors, at the preparatory meeting held on 27 January 2016, the 2016 audit plan was submitted for the approval of the Board of Directors; prepared by the IAD, the plan is in accordance with the provisions of the Code of conduct, and is based on a structured process of analysing and prioritising the main corporate risks.

In this circumstance the Board has shared the operating procedures for carrying out the verifications, and the criteria adopted for selecting the sample of projects and processes to be subjected to verification; also assessed the resource needs of the Internal Audit Department for the coverage of the planned audits, with a focus on the foreign scope and taking into account the greater involvement of the IAD in the field, and on the corporate processes as requested by the company's Top Management. This is in line with the requirements of the Code of conduct for listed companies (independence of function).

The Control and Risks Committee, aided by outside consultants and the competent corporate departments, at the meetings of 06 July 2016 and 25 January 2017, examined the adequacy of the IAD structure and of the remuneration of the Manager of the Internal Audit Department, expressing a favourable opinion as to the decisions made by the Company. The Control and Risks Committee meeting of 25 January 2017 also discussed the aspects of organisation and integration of the IAD with the second-level departments (in this regard, see the statements made in section 10.6 of the aforementioned report).

The results of the checks are periodically reported by the Internal Audit Department Manager to Top Management, to the Control and Risks Committee, to the Board of Statutory Auditors, the Audit Firm, where required, to the Supervisory Body – for the specific purposes pursuant to Legislative Decree no. 231/01 – and to the Board of Directors, in compliance with the reporting flow sanctioned in the IAD's operating procedure, with regard to the Internal Audit mandate, which governs the flow of information to the Company's governance and control bodies (minutes of meetings with control and supervisory bodies, audit reports, half-year reports on the activities' progress).

In the context of the disclosure that was made, the Internal Audit Department Manager expressed his assessment regarding the internal control system and risk management of the Corporate processes and of the selected projects, in Italy and abroad, carrying out verifications on events of particular relevance that took place in the financial year.

With reference to the activities related to the internal control system, during 2016 a series of projects was finalised by the IAD, also with the support of outside consultants possessing the requirements of professionalism, independence, and adequate organisation. More specifically:

- a) implementation of the follow-up for the purposes of internal control, following the results of the audits done during the 2016 financial year and of the 231 action plan following the revision of the company's 231 Model (see paragraph 10.3 of this report).
- b) the revision of the Risk Assessment on fraud risks (latest update, 2013) and the performance of the Fraud and IT Audit with regard to the verifications of operativity on anti-fraud checks
- c) implementation of the Mega Tool in support of the 231 audit activities;
- d) the follow-up on the IT Audit at the Warsaw Branch in Poland;
- e) the progress of the efficiency and continuous improvement activities, in order to obtain certification regarding the IAD from an outside third-party body.

The activities pursuant to points b) and e) were carried out with regard to the provisions of the Code of conduct's *application criterion 7.C.5.*, letter g).

To discharge his duties, the Internal Audit Department Manager may access all the information of use for carrying out his assignment, as better specified in the operating procedure of the IMS with regard to the IAD's Mandate, approved by the Board of Directors on 10 November 2014.

The resources needed for the purposes of the internal control activities, also with reference to carrying out the Audit Plan, are provided for and quantified in the budget of the Internal Audit Department.

10.3 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

In 2003, the Company adopted a Code of Ethics and an Organisation, Management and Control Model pursuant to Legislative Decree no. 231 of 2001 (231 Model) for the prevention of the offences as per that Decree, and appointed a Supervisory Body endowed with autonomous initiative and control powers in accordance with the provisions of law.

The 231 Model consists of an organic set of principles, rules, and provisions that regard, among other things, the management and control of corporate processes, with the purpose of protecting the company from any conduct that may result in its administrative liability related to certain offences.

The Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 (hereinafter, "OMM") were reviewed by the Board of Directors at the Board meeting of 10 March 2015 in order to take into account the company's changed organisational scenario and the best practices that had consolidated in the meantime.

The main changes made to the aforementioned documents regarded the following:

- Group's Code of Ethics: provision of a so-called "Group" Code of Ethics, applicable to all Group companies controlled directly or indirectly by Astaldi S.p.A.;
- redefinition of the general principles of the Code of Ethics (now identified as honesty, transparency, safeguarding assets, professionalism, protection of human resources, sustainability);
- introduction of an "Ethics Committee" (defining its related tasks and flows of information) and of an "Ethics Officer" (defining their related tasks);
- provision of a specific sanctioning system for violations of the Code of Ethics.

General Part of the OMM: integration with the description of the corporate mission and of the organisational and governance arrangement of Astaldi S.p.A.;

- introduction of a specific sanctioning system for violations of the OMM;
- introduction of the requirement of honourability of the Supervisory Body;
- remodulation of the flows of information towards the Supervisory Body.

Special Part of the OMM:

- remodulation of the matrices with the linkage between predicate offences, risk areas, and sensitive activities, associating the latter with reference to the specific protocols pursuant to art. 6, subsection 2;
- full revision and update of the protocols pursuant to art. 6, subsection 2, associated with activities identified as sensitive.

The types of offence the Model intends to prevent are:

- potential related offences pursuant to articles 24, 25, and 25-octies (Offences against public administration and offences of receipt of stolen goods, money laundering and use of money, goods, or benefits of unlawful provenance, as well as self-laundering) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 25-ter and 25-sexies (Corporate offences and offences of market abuse) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-ter letter s *bis* (Corruption among private individuals) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-septies (Culpable homicide and serious or grievous involuntary personal injury, committed with violation of the regulations on the protection of occupational health and safety) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 24-bis and 25-novies (Cybercrime and unlawful processing of data, and copyright violation offences) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 24-ter and 25-decies (Offences of organised crime, transnational criminal offences, and inducing someone not to testify or to make false statements to the judicial authority) of Legislative Decree no. 231/01 and articles 3 and 10 of Law no. 146/2006;

- potential related offences pursuant to art. 25-*undecies* (Environmental crimes) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*duodecies* (Crime involving the employment of illegal aliens) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*quater* (Crimes aimed at terrorism or the subversion of democracy) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 25-*bis* and 25-*bis* 1 (Forgery of money, public credit cards, stamp duties, and in identification instruments or marks, and offences against industry and trade) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*quinqüies* (Offences against individuals) of Legislative Decree no. 231/01.

The Group's Code of Ethics and the new OMM were spread to all levels of the corporate organisation and are published on the institutional website at: www.astaldi.com/en/governance/corporate-documents and on the corporate intranet in Share Point.

On 27 June 2016, the Board of Directors most recently approved an update of the Organisational Model, in order to take into account the new offences included in the 231 catalogue by Law no. 186 of 15 December 2014, in force since 01 January 2015 on self-laundering; by Law no. 68 of 22 May 2015, on "Provisions regarding crimes against the environment (the "Eco-crimes Law"); by Law no. 69 of 27 May 2015, on "Provisions on offences against public administration, mafia-type associations, and fraudulent accounting" (the "new anti-corruption law").

The revision of the OMM also involved reviewing the penalty system, providing for a yearly meeting with the CEO, providing for flows of information to the Supervisory Body on the Tax Compliance model, and introducing the matrix of corporate processes to which to link the risk areas.

The direct and indirect Italian subsidiaries also approved their own 231 Model commensurate with their own specific features, appointing their own Supervisory Body and their own Ethics Officers.

On 20 April 2016, the Board of Directors confirmed the current Supervisory Body, composed of four members from outside the company, who are experts in legal and corporate issues, as well as in topics in economics and corporate organisation. Since 27 June 2013, the members of the Supervisory Body have been Pierumberto Spanò, acting as chairman of the Supervisory Body, Nicoletta Mincato, non-executive and independent member of the Board of Directors, as well as Marco Annoni, and Giorgio Luceri.

Based on Legislative Decree no. 231/01, the Supervisory Body is attributed the following functions:

- supervising the effectiveness of the Model, which consists of verifying the consistency between tangible behaviour and the Model as established;
- assessing the Model's adequacy and suitability with respect to the type of activity and characteristics of the business, in order to prevent risks of committing offences. This requires an activity of updating the Model on the occasion of any changes of organisation and of the Law in question.

The update may be proposed by the Supervisory Body, but must be adopted by the Board of Directors. The Supervisory Body, on the other hand, does not have operative tasks or decision-making powers, or powers of a preventative nature, with regard to the performance of the company's activities.

For an effective performance of the aforementioned functions, the Supervisory Body has its own expense budget for its own exclusive use, also in consideration of the growing complexity of the areas of interest and of the effect of regulatory innovations coming under the corpus of the Decree, which require the contribution of specialist skills or resources. The size of the expense budget is the object of a proposal by the Supervisory Body and of approval by the Board of Directors. The Body decides autonomously and independently the expenses to be made, referring to those bearing signature powers in Astaldi to sign the pertinent commitments. Moreover, in discharging its duties, the Supervisory Body has access to every corporate document and prompt information is required from any corporate department where requested by the Body. In this regard, the 231 Model establishes specific information flows towards the Supervisory Body, both periodic and for specific needs.

The Body normally meets every month. It may be convened at any time by its Chairman, or when at least two of its members so request, and may be called upon to report to the CEO.

The Supervisory Body prepares a summary report that, in line with the plan of activities approved at the start of every financial year, regards the activity performed in the first and second half of reference; its recipients are the Board of Directors and the Board of Statutory Auditors through their respective Chairman, and the CEO.

Every year, the Supervisory Body prepares the Supervision Plan accompanied by a summary descriptive document. This document contains a description of the activities planned by the Supervisory Body for the year following the one in progress, along with the related expense budget to be submitted to the Board of Directors.

Moreover, the Supervisory Body reports promptly to the Board of Directors and the Board of Statutory Auditors in the event of any criticalities that are found.

With reference to the supervision over the regulations of Law (including Legislative Decree no. 231/01), every six months, the Board of Statutory Auditors and the Supervisory Body hold joint meetings for the mutual exchange of information on shared aspects.

Lastly, every year, the Supervisory Body reports to the CEO on the activities performed during the reference period (at the meeting of the Supervisory Body or by preparing specific reports).

The training activity is managed by the Supervisory Body with the support of the Internal Audit Department and is delivered both directly, through the organisation of training sessions, and in e-learning mode. In the latter case, it was delivered in Italian and English on the web-based portal available at www.learnico.it, created by CEIS (Centre for Economic and International Studies) at Rome's Università di Tor Vergata. By attending the course – and passing the final learning test – participants can earn an attendance certificate. E-learning ensures more extensive coverage, flexibility, and traceability of the training that is delivered.

10.4 AUDIT FIRM

Astaldi S.p.A.'s accounts audit activity is performed by the audit firm KPMG S.p.A., which was given the assignment of carrying out the legal accounts auditing for the 2011-2019 financial years.

10.5 MANAGER IN CHARGE OF FINANCIAL REPORTING

Pursuant to art. 23-*bis* of the Company's Bylaws, the Manager in charge of financial reporting is appointed by the Board of Directors, upon hearing the opinion of the Board of Statutory Auditors. Moreover, again pursuant to the Company's Bylaws, as Manager in charge of financial reporting may be appointed a person who possesses the requirements of honourability provided for by law for directors, and of appropriate professionalism, having performed for at least three years management activities in the administrative, accounting, financial, and control in a company whose financial instruments are listed on a regulated market, or in a company that carries out financial or insurance or banking activity, or in a company with a share capital of no less than EUR 2 million, or has carried out three years of activity as an auditor with an audit firm entered in the special register kept by CONSOB.

The Company also has internal regulations that establish in detail the functions, means, and powers of the Manager in charge, as well as his or her relations with the Company's other organs and bodies.

Since 2007, Paolo Citterio, the Company's General Manager, Administration and Finance, has held the office of "Manager in charge of the financial reporting" pursuant to art. 154-*bis* of the consolidated finance act – TUF.

On the occasion of the latest Board renewal of 20 April 2016, the newly elected Board of Directors confirmed Mr. Paolo Citterio in this office.

10.6 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

To be effective, a system of controls must be integrated: its components must be coordinated and interdependent with one another, and the system, as a whole, must be integrated into the company's general organisational arrangement.

The regulations and the new Code of conduct see the internal control and risk management system as a unitary system in which risk is the guiding thread; to be effective, the system of controls must be integrated in its various components, or it must include procedures and flows of coordination among the various corporate subjects, involved in various grounds in the same system (Board of Directors, director tasked with the internal control and risk management system, Control and Risks Committee, the Board of Statutory Auditors, the Manager of the Internal Audit Department, Manager in charge of financial reporting, Chief Risk Officer, all the other corporate offices with specific tasks in the matter of internal control and risk management).

In this regard, Astaldi operates in compliance with the provisions of the new Code of conduct, as highlighted in the previous sections of the corporate governance report.

In particular, the following is pointed out:

- coordination between the activities of the Internal Audit Department and the Management Control and Corporate Risk Management Department, taking into account that the modern conception of controls revolves around the notion of corporate risks, and identifying, assessing, and monitoring them;
- with specific reference to the financial information, coordination between the activities of the Internal Audit Department and the operating structure that works in support of the Manager in charge of financial reporting;
- coordination between the activities of the IAD and the second-level offices as regards the specific risks monitored by them (e.g. safety and environment).

Specifically, in the context of the Internal Audit Manual, the operating procedure of the IAD is expressly regulated in the area of flows of information:

- a) the reporting process with second-level offices, in order to promote integration between the main actors in the control system;
- b) for the purpose of sharing both the planning of assurance interventions, while maximising possible synergies and sharing the results of the activities that are carried out.

During the verification activity performed on the IA office (see section 10.2), points for improvements emerged with regard to the coordination between the IA Department and the second-level control offices. These points for improvement relate to the phase of planning and integrated control of activities, as well as the shared use of the MEGA support tool.

More generally, as concerns coordination between all the parties involved in the internal control and risk management system: Control and Risks Committee, the Board of Statutory Auditors, Supervisory Body, Manager charged with the internal control and risk management system, manager of the Internal Audit Department, see the respective sections.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors, at the meeting of 10 November 2010, in line with the provisions of CONSOB regulation no. 17221 of 12 March 2010 (and subsequently modified with the decision of 23 June 2010), in the matter of **“related party transactions,”** approved, with the favourable opinion of the ad hoc committee of independent directors, the new internal procedures for identifying, approving, and carrying out related party transactions done by Astaldi S.p.A. directly or through its subsidiaries.

The procedure was then modified by the Board of Directors meeting of 11 November 2015.

These procedures, in brief:

- 1) identify the transactions of “greater” and “lesser” relevance.

For transactions of “lesser” importance, the following is provided for:

- (i) appropriate *ex ante* disclosure, promptly provided to the deliberating body and to the committee itself, which must express its opinion;
- (ii) that the aforementioned committee may rely on independent experts of its choosing;
- (iii) the justified, non-binding opinion of the related parties committee;
- (iv) that the competence for deciding is vested, alternatively, with the Board of Directors or with the CEO as part of the powers conferred to the latter.

On the other hand, as to transactions of “greater” relevance, the procedures, in addition to the above, provide for:

- (i) the binding opinion of the Related Parties Committee;
- (ii) a reservation of decision-making competence for the Board of Directors.

- 2) they establish the procedures with which the transactions are investigated and approved, as well as the composition and operating rules of the aforementioned related parties committee which, in line with what CONSOB has established, consists exclusively of independent directors in the case of transactions of both “lesser” and “greater” relevance;

- 3) they set the procedures with which the aforementioned committee, as well as the administration and control bodies, are provided with information on the transactions prior to the decision, during and after their execution;
- 4) they identify rules with regard to the hypotheses in which the Company examines or approves transactions of Italian or foreign subsidiaries;
- 5) they identify cases of “default exemption” from the regulations, and cases of “optional exemption.”

It remains understood that on all the aforementioned transactions, the Company provides information in the management report.

In order to implement CONSOB’s recommendations in communication no. DEM/10078683 of 24 September 2010 – which asks Issuers to assess, at least every three years, whether to revise the procedure on related parties – the Board of Directors meeting of 11 November 2015 approved, upon the favourable opinion of the Related Parties Committee and having heard the opinion of the Board of Statutory Auditors, the revision of the procedures.

The document’s revision was preceded, also with the aid of the Corporate Affairs and Corporate Governance Department and the Office of the Chairman, by an examination of the procedures adopted by the leading listed companies, in order to have a benchmark of reference and to assess bringing the regulatory solutions adopted by Astaldi in line with the market’s best practices. In brief, the main modifications adopted are as follows:

- (i) simplification of the procedural path adopted, and greater flexibility with regard to timing, for proceeding with calling and drafting the opinion requested from the Related Parties Committee;
- (ii) adoption of an ad hoc procedure for transactions through subsidiaries;
- (iii) new definition of the scope of key management personnel, identifying as such the members of the Board of Directors, the standing members of the Board of Statutory Auditors, and the General Managers of Astaldi S.p.A. (cf. art. 2, definitions);
- (iv) adoption of a more rigorous low threshold, identified in the value of the transactions, of less than or equal to EUR 250.000,00;
- (v) explicit provision of an assessment, with at least a three-year frequency, on the need to introduce modifications and supplements to the Procedure (cf. art. 8).

On the occasion of the revision of the procedures, better coordination is guaranteed with the main office’s Operating Instructions that Astaldi adopted in 2010 in order to make a preliminary identification and verification of the transactions with related parties implemented by Astaldi, also through subsidiaries, with its own related parties, and to subject the transactions subject to exemption to a rigorous internal assessment process.

Lastly, the Shareholders at their Extraordinary Meeting of 20 April 2016, changed the Company’s Bylaws, introducing the new art. 22-ter in order to allow the company to make, in the event of urgency, the assessments as needed with regard to transactions with related parties, directly or through subsidiaries, as an exception to the provisions of said procedure. This option is permitted by the aforementioned CONSOB Regulation no. 17221 of 12 March 2010 and subsequent modifications, which permits the approval of the transactions in times faster than the natural procedural passages otherwise required, provided appropriate guarantees of information transparency are compiled with, and there is a provision in the Bylaws for this.

The new art. 22-ter of Astaldi's Bylaws – like the corresponding art. 6.8 of the company's appropriately supplemented Procedure in the matter of transactions with related parties – offers all the guarantee supports required by the applicable regulations.

For that which concerns the aspects of an organisational nature, it is pointed out that, following the appointment of the new Board of Directors, a new composition of the membership of the committee in question was defined; the committee now consists of the following independent directors:

- | | |
|---------------------|----------------------------------|
| ▪ Chiara Mancini | independent board member (Chair) |
| ▪ Paolo Cuccia | independent board member |
| ▪ Nicoletta Mincato | independent board member |

During 2016, the Related Parties Committee met three times, jointly with the Appointments and Remuneration Committee and with the entire Board of Statutory Auditors on hand. The meetings were held on 09 march 2016, to assess the agreement proposal of the outgoing CEO, on 27 June, and on 09 November, to assess the profiles of success fee/MBO in favour of Chairman Paolo Astaldi, under the terms illustrated in the Report on Remuneration, to be completely referred to.

As mentioned above, in order to facilitate the delegated bodies in identifying and verifying the transactions with related parties that Astaldi S.p.A. (directly or through its subsidiaries) intends to carry out with its "related parties," the Company has adopted Operating Instructions for the application of the Procedures for regulating related party transactions.

The Instructions establish that all the Managements and Departments of Astaldi S.p.A., before executing contracts with third parties (natural person or legal entity not belonging to the Group), must be issued by them a "Declaration" that they are related parties.

Where there is a relationship of correlation as in the case in which the related party is a legal entity in the Group, the Management or Departments of Astaldi S.p.A. are required to inform the managerial assessment committee (composed of the General Manager, Administration and Finance, Administrative Management and Corporate Affairs and Corporate Governance Department and the Office of the Chairman), which first verifies whether the operation may be qualified as of lesser or greater relevance, and whether the hypotheses for exemption exist. The managerial committee informs the delegated bodies as to the transactions to be brought for the assessment of the Related Parties Committee and, in any event, carries out a constant and complete mapping – necessary also for the purposes of the financial statements – of all transactions, even if exempt.

For details, see the "Procedures for regulating related party transactions" published on the corporate website ("Governance/Corporate documents" section).

* * * * *

With regard to the hypotheses in which **a Director has an interest** on his or her own or third parties' behalf, it is specified that the Company's Board of Directors, in compliance with the regulations in force, from time to time adopts the operative solutions it deems most suitable (such as for example preventing participation in voting, or momentary removal from the meeting at the time of the decision).

12. APPOINTMENT OF THE STATUTORY AUDITORS

The Company's Bylaws provide for the mechanism of "slate voting" in order to guarantee that shareholding minorities are represented on the Board of Statutory Auditors.

By express provision of the Bylaws, the **slates**, accompanied by the documentation required by law and by the Bylaws, must be lodged at the company's main office, following the procedures and by the deadlines provided for by the applicable regulations.

Only shareholders that on their own, or along with other shareholders, own a total of shares with voting rights representing at least **1% of the share capital** with voting rights at the ordinary Shareholders' Meeting (or such lesser percentage as may be provided for by the applicable provisions of law or regulations) are entitled to submit slates.

The **election** of the members of the Board of Statutory Auditors takes place as follows:

- from the slate that has garnered the highest number of votes cast by the shareholders in attendance, two standing members and two alternate members are drawn, in the progressive order in which they are listed in the corresponding sections of the slate;
- the remaining standing member, who shall also be appointed Chairman of the Board of Statutory Auditors, and the other alternate member, are drawn from the slate that has garnered the second highest number of votes, out of the slates submitted and voted on by shareholders that are not linked to shareholders of reference pursuant to the regulations in force, based on the progressive order in which they were listed in the corresponding sections of the slate.

In the event that a number of minority slates have garnered the same number of votes, the candidates most senior in age among those appearing as number one on the corresponding sections of the slates that have garnered an equal number of votes are elected standing auditor and alternate auditor.

If only one slate is submitted, all the standing and alternate auditors are drawn from it, to be elected in the order in which they are listed. In this case, the person indicated in the first position in the slate shall be the Chairman of the Board of Statutory Auditors.

In order to ensure a gender balance, art. 25 of the Company's Bylaws establishes that each slate that contains three or more than three candidacies must include a number of candidates, possessing the requirements established by law and by the Bylaws, that is an expression of the gender less represented within the Board of Statutory Auditors, in a number equal to **one fifth** of the candidates who shall make up the Board of Statutory Auditors entering office on the occasion of the first renewal of the audit body after 12 August 2012, and equal to **one third** of the candidates who shall make up the Board of Statutory Auditors to be appointed for the following two terms.

In order to guarantee, with a view to substantial equality, gender balance as concerns access to corporate offices, one fifth of the standing members of the Board of Statutory Auditors, appointed on the occasion of the Shareholders' Meeting renewing the audit body taking place on 23 April 2015, is an expression of the gender less represented within the Board of Statutory Auditors.

In the case of a Standing Auditor **leaving** office, on any grounds, he or she shall be succeeded by the first of the alternate members elected on the same slate, upon verification of the maintenance of the prerequisite provided for by law and by the Company's Bylaws. However, should a Standing Auditor's removal from office on any grounds take place after the first renewal of the audit body after 12 August 2012, or during the two terms thereafter, in making the replacement it will be necessary to respect the gender balance on the Board of Statutory Auditors in accordance with the provisions of article 25 of the Company's Bylaws.

Should the Standing Auditor drawn from the slate that has garnered the second highest number of votes leave office for any reason, if the alternate member elected from the same slate cannot, for any reason,

succeed, him or her, he or she shall be succeeded by the next candidate drawn from the same slate – upon verifying the maintenance of the requirements provided for by law and by the Company's Bylaws – or, lacking same, by the first candidate on the slate that garnered the second highest number of votes among the minority slates. However, if the removal, on any grounds, of the Standing Auditor drawn from the slate that garnered the second highest number of votes takes place after the first renewal of the audit body after 12 August 2012 or during the two terms thereafter, in making the replacement it will be necessary to respect the gender balance on the Board of Statutory Auditors in accordance with the provisions of article 25 of the Company's Bylaws.

For the other aspects related to the appointment and replacement of the members of the Board of Statutory Auditors, see the provisions of art. 25 of Astaldi S.p.A.'s Bylaws published on the corporate website (*"Governance/Corporate documents"* section).

13. COMPOSITION AND FUNCTION OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

The Board of Statutory Auditors currently in office for the financial years 2015-2017, for whose composition see Table 4 in the appendix, was appointed by the Shareholders at their meeting of 23 April 2015. In implementation of the regulations of reference and of the content of art. 25 of the Company's Bylaws, two slates were submitted containing the candidates for the appointment of the new Board of Statutory Auditors, consisting of three standing auditors and three alternate auditors.

The first slate was submitted by the shareholder FIN.AST. S.r.l., which holds a total of 39,505,495 shares, equal to 40.139% of the share capital.

The second list was submitted by the shareholders Arca SGR S.p.A., manager of the Arca Azioni Italia fund; Eurizon Capital S.G.R. S.p.A. manager of the funds: Eurizon Azioni Italia, and Eurizon Azioni PMI Italia; Eurizon Capital SA manager of the funds: Eurizon EasyFund – Equity Italy and Eurizon EasyFund – Equity Italy LTE; Mediolanum Gestione Fondi SgrpA, manager of the Mediolanum Flessibile Sviluppo Italia fund; Pioneer Asset Management SA, manager of the funds: Pioneer Fund – European Potentials, and Pioneer Fund – Pioneer Fund Emerging Markets Equity and Pioneer Investment Management SGRpA, manager of the Pioneer Italia Azionario Paesi Emergenti fund, which hold a total of 3,605,454 shares, equal to 3.66% of the share capital.

Both appointment proposals were accompanied by information regarding the identity of the presenting shareholders, indicating the percentage interest held overall, and a certification issued by an authorised intermediary, declaring the ownership of said interest, a description of the personal and professional characteristics of the designated parties, and declarations with which the individual candidates accept their candidacy and attest, under their own responsibility, to the non-existence of causes of ineligibility or incompatibility, and to the existence of the prerequisites required by regulations and the Company's Bylaws for the respective offices, and also listing any administration and audit positions held in other companies and, with reference to the second slate, a declaration of the shareholders that are other than those that hold, even jointly, a controlling or majority interest, attesting to the non-existence of relations of connection with them pursuant to the relevant regulations.

Said proposals were lodged by the aforementioned Shareholders at the Company's main office by the legal deadlines, and the Company saw to making available to the public at the company's main office, on

its website, and on the authorised storage mechanism, the slates lodged by the shareholders in question twenty-one days prior to the date established for the Shareholders' Meeting in first call.

The slate submitted by the Shareholder FIN.AST. S.r.l. (first slate) proposed the following names for the office of Standing Auditors:

1. Mr. Lelio FORNABAIO;
2. Ms. Anna Rosa ADIUTORI;

and the following names as Alternate Auditors:

1. Ms. Giulia DE MARTINO;
2. Mr. Francesco FOLLINA.

The slate submitted by the institutional funds (second slate) proposed the following name for the office of Standing Auditor:

1. Mr. Paolo FUMAGALLI;

and proposed the following name for the office of Alternate Auditor:

2. Mr. Andrea LORENZATTI.

All the candidates' résumés, with all the information indicated above, were made available to the Shareholders.

Upon the outcome of the election process, at their meeting held on 23 April 2015, the shareholders thus decided to appoint, for the 2015-2017 financial year, the members of the Board of Statutory Auditors in the person of the following parties:

- Mr. Paolo FUMAGALLI (Chairman);
- Mr. Lelio FORNABAIO (Standing Auditor);
- Ms. Anna Rosa ADIUTORI (Standing Auditor);
- Mr. Andrea LORENZATTI (Alternate Auditor);
- Ms. Giulia DE MARTINO (Alternate Auditor);
- Mr. Francesco FOLLINA (Alternate Auditor).

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At the meeting of 22 February 2017, the Board of Statutory Auditors, pursuant to *application criterion* 8.C.1. of the Code of conduct, verified, with reference to the 2016 financial year, the persistence of the independence requirements for its own members, applying, for the relevant assessments, all the criteria provided for by said Code with reference to the independence of directors.

For the composition of the Board of Statutory Auditors in office, see Table 4. All the statutory auditors possess the personal and professional requirements as provided for by art. 144-*decies* of the Issuer Regulation and in the Bylaws of Astaldi S.p.A. (art. 25).

The Chairman also called dialogue meetings between board members, statutory auditors, management, and some corporate managers, aimed at better illustrating the development of the corporate business and permitting better knowledge of the Company's Business Plan.

Moreover, by virtue of the provisions of Astaldi S.p.A.'s OMM, and with reference to the supervision of the Board of Statutory Auditors provided for by the consolidated finance act – TUF, the Board of Statutory Auditors met on 2 March 2016 and 12 December 2016 with Astaldi's Supervisory Body and with the auditing bodies of the relevant subsidiaries on 22 February 2017, with reference to 2016 operations.

Moreover, the Company adheres to the principles of the Code of conduct in accordance with which the statutory auditor who, on his or her own or on third parties' behalf, has an interest in a given transaction of the Company, promptly and comprehensively informs the other statutory auditors and the Chairman of the Board of Directors as to the nature, terms, origin, and scope of its interest (*application criterion 8.C.3.*).

Again in application of recommendations of the Code of conduct, which invites the participation of directors and statutory auditors in training and updating initiatives (*application criterion 2.C.2.*), during 2016, the members of the Board of Statutory Auditors, at the invitation of the Chairman, attended the presentation of the E-ELT project, in the terms better indicated in the Induction programme section of this Report, for the purpose of having more in-depth knowledge of the Company's business.

The Board of Statutory Auditors performs supervision activities in compliance with art. 19 of Legislative Decree no. 39/2010 and in line with Borsa Italiana Notice no. 18916 of 21 December 2010.

Moreover, the Board of Statutory Auditors supervises the audit firm's independence, verifying compliance with relevant regulatory provisions, as well as the nature and extent of the services other than accounting auditing provided to the Company and to its subsidiaries by the audit firm and the entities belonging to its network.

* * * * *

The Board of Statutory Auditors, in carrying out its activity, relies on the collaboration of the Internal Audit Department, in compliance with the timing provided for by regulations and the internal due dates based on the meetings scheduled in the financial year of reference.

During 2016, the Board of Statutory Auditors met 11 times, respectively on 27 January, 02 March, 09 March, 29 March, 10 May, 12 May, 23 June, 1 August, 4 October, 8 November, and 12 December.

Meetings of the Board of Statutory Auditors are coordinated by the Chairman, and attended by the majority of the statutory auditors. Their average duration is about three hours. As a rule, the Board of Statutory Auditors meets in accordance with the deadlines established by law. As concerns the 2017 financial year, the Board has already defined the calendar of upcoming meetings for the aforementioned financial year and, until the approval date hereof, has met three times, respectively on 25 January, 22 February and 14 March 2017.

The Board is also coordinated with the Control and Risks Committee, with which it has maintained a constant exchange of information, through the attendance of the Chairman of the Board of Statutory Auditors at said committee's meetings and, at times, also of the Board of Statutory Auditors as a whole, when, with respect to examination of the system of corporate controls, the two bodies have deemed it necessary to call joint meetings (*application criterion 8.C.5.*)

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14. RELATIONS WITH SHAREHOLDERS

The Company, also in light of admission to listing on the STAR Segment of Mercato Telematico Azionario (screen-based stock exchange), as early as 2002 appointed, as “**Investor Relator**,” Alessandra Onorati, who is the manager of the corresponding corporate structure.

In order to foster dialogue with shareholders and with the market, and in implementation of the applicable regulations of reference, the Company regularly makes available on its website all the information regarding accounts (financial statements, interim financial reports, and quarterly reports), and of interest for shareholders in general (such as, for example, press releases, the corporate Code of Ethics, the Organisation and control model pursuant to Legislative Decree no. 231/01, and the Directors’ reports on the items on the Shareholders’ Meetings’ agenda).

15. SHAREHOLDERS’ MEETINGS (pursuant to art. 123-bis, subsection 2, letter c), of the consolidated finance act – TUF)

Pursuant to art. 10 of the Company’s Bylaws currently in force, the Shareholders’ Meeting is called by the Board of Directors by notice to be published following the procedures and by the deadlines established by law.

The Company’s Bylaws also establish that the same notice may indicate another day for the second call, if the first is unattended; in the event of an extraordinary Shareholders’ Meeting, the same notice may also indicate the date for the third call.

The Shareholders’ Meeting is given the tasks provided for by art. 2364 of the Italian civil code. Moreover, based on what is permitted by art. 2365, second subsection, of the Italian civil code, art. 22 of the Company’s Bylaws expressly tasks the Board of Directors with taking decisions as to:

- (i) mergers and demergers, in the cases provided for by articles 2505 and 2505-bis of the Italian civil code, in accordance with the procedures and by the deadlines described therein;
- (ii) instituting and suppressing secondary offices, even abroad;
- (iii) indicating which of the directors is to be vested with the Company’s representation;
- (iv) reducing share capital in the event of the shareholder’s withdrawal;
- (v) adjusting the Company’s Bylaws to regulatory provisions;
- (vi) transferring the company’s main office in national territory.

Moreover, pursuant to art. 135-novies, subsection 5, TUF and art. 12 of the Company’s Bylaws, the Company makes available to shareholders a section on the corporate website through which the Company may be notified of voting proxies electronically, using the proxy form available there (“*Governance/Shareholders’ Meeting*” section).

Currently, with reference to Shareholders’ Meetings, the Company’s Bylaws do not provide for voting by correspondence, online voting, or voting by audio-visual links.

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In accordance with the provisions of art. 13 of the Company’s Bylaws – which states that “*the function of the ordinary and extraordinary Shareholders’ Meeting is governed by a regulation, approved by the ordinary Shareholders’ Meeting and valid for all subsequent ones until it is amended or replaced*” – at their ordinary meeting of 11 March 2002, the shareholders approved the “**Shareholders’ Meeting**

Regulation,” subsequently updated with the decision of 05 November 2010, which establishes clear, unambiguous rules for the orderly and functional holding of Shareholders’ Meetings, without at the same time compromising each shareholder’s right to express opinions and formulate requests for specification and clarifications as to the items under discussion.

On this point, in fact, the Shareholders’ Meeting Regulation establishes that the parties qualified to exercise voting rights may request the floor on the items under discussion, until the Chairman of the Shareholders’ Meeting has declared discussion on said item closed, in order to make observations and proposals, or request information. The Chairman of the Shareholders’ Meeting, or those assisting the Chairman, see to providing the corresponding responses, and the Shareholders’ Meeting regulation guarantees those who have requested the floor the right to make a brief reply.

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As already discussed in paragraph 2, letter d) above, at their meeting of 29 January 2015, the shareholders adopted, by ad hoc statutory provision, the increased voting rights mechanism. Art. 12 of the Company’s Bylaws states that two votes are assigned for each share belonging to the shareholder that has asked to be registered in a special List, kept and updated by the Company, and that has maintained the share for an uninterrupted period of no less than twenty-four months starting from the date of registration in said List. In addition to defining the adopted organisational solution, art. 12 of the Company’s Bylaws establishes the modes of application that the Company and shareholders are required to follow for adopting the increased voting rights. Additional aspects of an operative nature are contained in a regulation adopted by the Board of Directors meeting of 10 March 2015. It is in fact to be borne in mind that, by a precise statutory choice, the definition of detailed rules with regard to profiles relating to operations and procedures was devolved upon a regulation adopted by the Board.

In implementation of the Company’s Bylaws and of the regulation, the request by the shareholder may regard all or even only a part of the shareholder’s shares. The shareholder’s request for registration takes place by sending the Company, via a qualified intermediary, the communication provided for by the regulations of reference, or such other equivalent documentation as may be established by the Regulations.

In this regard, art. 4 of the regulation specifies that the qualified party that intends to register in the List in order to obtain the increase of the voting rights pursuant to art. 127-*quinquies* of the consolidated finance act – TUF and art. 12 of the Company’s Bylaws is required to make a request therefor, via the depositary intermediary, in compliance with art. 23-*bis* of the joint CONSOB/Banca d’Italia Measure of 22 February 2008 and subsequent modifications.

The qualified party is required: (i) to indicate to the intermediary with which it holds the securities account in which the Astaldi shares are registered, the number of shares it intends to register in the List; (ii) to ask said intermediary to send to Astaldi S.p.A. – via Certified E-Mail, at the address astaldi.mt@pec.actalis.it – the “communication” that, pursuant to the aforementioned art. 23-*bis*, subsection 2, attests to ownership of the shares for which registration in the list is requested, along with the qualified party’s own declaration in which the qualified party takes on the commitment to promptly inform the Company and the intermediary of any loss, for any reason, of ownership or of only the voting right.

In the case of a legal entity or other entity without legal personality, the qualified subject must also declare not being or, where applicable, being subject to control (direct or indirect), indicating the identification data of the controlling party and with the commitment to promptly inform the Company of any change of control.

To facilitate the operations of registration in the List and providing information to the market on those entitled to the voting rights increase, the Company's Bylaws state that registrations in and the updating of the List take place quarterly – 01 March, 01 June, 01 September, and 01 December – and, as art. 3 of the regulation specifies, provided that these actions are received at least by the twenty-fifth day of the previous month. In any event, even if received earlier, the registration requests will yield effects only with the updating of the List by the Company, which sees to this by the first useful date, at the frequency defined with the procedures indicated above (01 March, 01 June, 01 September, and 01 December).

As to the purposes of the exercise of the increased voting rights, the Company's Bylaws require the shareholder to send or to exhibit to the Company the communication provided for by the regulations of reference – or such other equivalent documentation as may be established by the Regulation – also attesting to the how long the shares for which the voting right is subject to increase have belonged to the shareholder without interruption.

The Company's Bylaws also provide that the shareholder entitled to the augmented vote may waive it, for all or only some of its shares, and that this waiver is automatically followed by cancellation from the List of the shares for which the increased voting rights were waived. The above is without prejudice to said shareholder's right to request registration in the List again so as to give rise to a new uninterrupted period for the shares for which the increased voting rights were waived.

The increased voting rights are conserved in the event of inheritance as well as in the event of merger and demerger of the owner of the shares. The increased voting rights are extended proportionally to the newly issued shares both in the case of capital increase pursuant to art. 2442 of the Italian civil code, and in the case of capital increase by new conferrals.

The increase of the voting rights is calculated towards the determination of the quorums for meeting and passing decisions which, in law and in the Bylaws, refer to percentages of share capital or of the share capital with voting rights.

In order to assist the shareholders in obtaining all the information of use for the increased voting rights, the Company has activated a section on the corporate website ("Governance/Increased Votes" section) reporting all the necessary information.

On 20 April 2016, the Shareholders' Meeting was held.

The Shareholders' Meeting is the moment par excellence for permitting dialogue between shareholders and directors.

The Shareholders' Meeting was attended by Paolo Astaldi, in his office as chair of the Shareholders' Meeting, the Deputy Chairmen Giuseppe Cafiero and Ernesto Monti, the CEO Stinellis, and the board members Luigi Guidobono Cavalchini and Piero Gnudi.

In order to ensure the shareholders of adequate disclosure as to the elements necessary for being able to take, in an informed fashion, the decisions under the purview of the Shareholders' Meeting, the Board of Directors makes available to the shareholders, at the company's main office, on its website (www.astaldi.com Governance section / Shareholders' Meeting), and on the authorised storage mechanism www.1info.it, in accordance with the timing provided for by the regulations in force, all the documentation and reports as to the items on the Shareholders' Meetings' agendas.

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16. ADDITIONAL PRACTICES OF CORPORATE GOVERNANCE

(pursuant to art. 123-bis, subsection 2, letter a), of the consolidated finance act – TUF)

There are no corporate governance practices other than those illustrated in the above points.

17. CHANGES SINCE REPORTING DATE

No significant changes have taken place since the reporting date.

Rome, 14 March 2017

**Chairman of the Board of Directors
Paolo Astaldi**

SUMMARY TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

<i>SHARE CAPITAL STRUCTURE at 31 December 2016</i>				
	No. of shares	% of share capital	Listed (indicate markets) / not listed	Rights and obligations
Ordinary shares	98,424,900	100%	MTA - STAR	-
Shares with multiple vote	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

<i>OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly issued shares)</i>				
	Listing market	No. of outstanding convertible bonds	Category of shares at servicing the conversion	No. of shares at servicing the conversion
Convertible bonds	Luxembourg – MTF	130,000	Ordinary	17,568,517
Warrants	-	-	-	-

Board of Directors													Control and Risk Committee		Appointments and Remuneration Committee	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Exec.	Non-exec.	Indep., Code	Indep., TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)
Chairman	Paolo Astaldi	1960	7/07/1994	20/04/2016	(a)	M	x				1	10/10				
Deputy Chairman	Ernesto Monti	1946	5/09/2000	20/04/2016	(a)	M		x		x	—	10/10	2/3	M	4/4	M
Deputy Chairman	Michele Valensise	1952	20/04/2016	20/04/2016	(a)	M	x				—	6/6				
CEO • ♦	Filippo Stinellis	1963	29/01/2015	20/04/2016	(a)	M	x				—	10/10				
Director	Caterina Astaldi	1969	5/07/2001	20/04/2016	(a)	M		x			1	3/10				
Director	Paolo Cuccia	1953	23/04/2010	20/04/2016	(a)	M		x	x	x	1	10/10	5/5	M	3/3	M
Director	Piero Gnudi	1938	7/09/1999	20/04/2016	(a)	M		x	x	x	1	9/10			4/4	P
Director	Chiara Mancini	1972	23/04/2013	20/04/2016	(a)	M		x	x	x	2	10/10				
Director	Nicoletta Mincato	1971	3/10/ 2000	20/04/2016	(a)	M		x	x	x	—	9/10	5/5	P		
----- BOARD MEMBERS LEAVING OFFICE DURING FINANCIAL YEAR OF REFERENCE -----																
Deputy Chairman	Giuseppe Cafiero	1944	30/07/2004	23/04/2013	30/03/2016	M	x					4/4				
CEO • ♦	Stefano Cerri	1960	3/10/2000	23/04/2013	20/04/2016	M	x					3/4				
Director	Luigi G. Cavalchini	1937	12/11/2002	23/04/2013	20/04/2016	M		X	x	x		4/4				
Director	Giorgio Cirila	1940	23/04/2010	23/04/2013	20/04/2016	M		X	x	x		3/4			1/1	M
Director	Eugenio Pinto	1959	23/04/2010	23/04/2013	20/04/2016	M		X	x	x		4/4	2/2	M		
<div> <div>No. of meetings held during the financial year of reference: 10</div> <div>Control and Risks Committee: 5</div> <div>Appointments and Remuneration Committee: 4</div> </div>																
Quorum required to submit slates: 2.5%																
NOTES The symbols indicated below must be inserted in the "Office" column: • This symbol indicates the director in charge of the internal control and risk management system. ♦ This symbol indicates the main party responsible for the management of the Issuer (Chief Executive Officer or CEO). * The date of first appointment of each director is to be understood as the date when the director was appointed absolutely for the first time to the issuer's Board of Directors. ** This column indicates the slate from which each director was drawn ("M": majority slate; "m": minority slate; "BoD": slate submitted by the Board of Directors). *** This column indicates the number of offices as director or statutory auditor held by the interested party in other companies listed on regulated markets, including foreign ones, in financial, banking, or insurance companies, or companies of significant size. In the Report on corporate governance, the offices are indicated in full. Table 3 indicates these offices in detail. The offices of directors leaving office are not reported, since their term expired upon the approval of the financial statements for the 2015 financial year. (*) This column indicates attendance by directors at the meetings respectively of the Board of Directors and of the committees (indicate the number of meetings attended, as against the total number of meetings he or she could have attended; e.g. 6/8; 8/8 etc.). (**) This column indicates the board member's qualification within the Committee: "C": chairman; "M": member. (a) Board member in office until the Shareholders' Meeting approving the 2018 financial statements.																

TABLE 3: OFFICES OF DIRECTOR OR STATUTORY AUDITOR HELD BY EACH BOARD MEMBER IN OTHER COMPANIES LISTED ON REGULATED MARKETS, INCLUDING FOREIGN ONES, IN FINANCIAL, BANKING, OR INSURANCE COMPANIES, OR COMPANIES OF SIGNIFICANT SIZE AT 31 DECEMBER 2016:

Name and Surname	Other activities performed pursuant to art. 1.3 of the Code of conduct
Paolo Astaldi	CEO of Fin.Ast S.r.l.
Ernesto Monti	None
Michele Valensise	None
Filippo Stinellis	None
Caterina Astaldi	Member of the Board of Directors of Fin.Ast. S.r.l.
Paolo Cuccia	Chairman of Gambero Rosso S.p.A.
Piero Gnudi	Board member of Bologna Business School
Chiara Mancini	(i) Member of the Board of Directors of Cementir Holding S.p.A. (ii) Member of the Board of Directors of Cassa di Risparmio di Ravenna
Nicoletta Mincato	None

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT 31 DECEMBER 2016

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Indep., Code	Attendance at Board Meetings ***	No. of other offices ****
Chairman	<i>Paolo Fumagalli</i>	1960	23/04/2015	23/04/2015	(a)	m	x	11/11	12
Standing Auditor	<i>Lelio Fornabaio</i>	1970	24/04/2012	23/04/2015	(a)	M	x	10/11	15
Standing Auditor	<i>Anna Rosa Adiutori</i>	1958	23/04/2015	23/04/2015	(a)	M	x	11/11	7
Alternate Auditor	<i>Andrea Lorenzatti</i>	1975	24/04/2012	23/04/2015	(a)	m	x	-	0
Alternate Auditor	<i>Giulia De Martino</i>	1978	24/04/2012	23/04/2015	(a)	M	x	-	8
Alternate Auditor	<i>Francesco Follina</i>	1959	24/04/2012	23/04/2015	(a)	M	x	-	7
No. of meetings held during the financial year of reference: 11									
Indicate the quorum required for submitting slates by minorities for the election of one or more members (pursuant to art. 148 TUF): <i>pursuant to the Company's Bylaws, only shareholders that on their own or with other shareholders represent at least 1% of the share capital are entitled to submit slates.</i>									

NOTES

* The date of first appointment of each statutory auditor is to be understood as the date when the statutory auditor was appointed absolutely for the first time to the issuer's Board of Statutory Auditors.

** This column indicates the slate from which each statutory auditor was drawn ("M": majority slate; "m": minority slate).

*** This column indicates attendance by statutory auditors at the meetings of the Board of Statutory Auditors (indicate the number of meetings attended, as against the total number of meetings he or she could have attended; e.g. 6/8; 8/8 etc.).

**** This column indicates the number of offices as director or statutory auditor held by the interested party pursuant to art. 148-bis TUF and the provisions for implementing them contained in the CONSOB Issuers' Regulations. The complete list of offices is published by CONSOB on its website pursuant to art. 144-quinquiesdecies of the CONSOB Issuers' Regulations.

(a) Statutory Auditor in office until the Shareholders' Meeting approving the 2017 financial statements.