



## **CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE REPORT**

pursuant to Art. 123-bis of T.U.F.<sup>1</sup>

(traditional audit and management system)

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

Web site: **[www.astaldi.com](http://www.astaldi.com)**

Financial year this report refers to: **2013**

Date of approval of Report: **March 28, 2014**

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<sup>1</sup>Translator's note: *Testo Unico sulla Finanza, i.e. the Italian Financial Services Act*

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## 1. ISSUER'S PROFILE

Also this year, the corporate governance model adopted by Astaldi S.p.A. is in line with the principles set forth in the "Corporate Governance Code for listed companies" – drawn up by Borsa Italiana S.p.A. in October 1999 and subsequently amended and supplemented – with the relevant recommendations worked out by Consob, and more generally, with the international best practice.

Taking into account the above, the corporate governance model of Astaldi S.p.A., setting forth the main events subsequent to the closing of financial year 2013, is described herebelow.

## 2. INFORMATION on SHAREHOLDING STRUCTURE (as per art. 123-bis of T.U.F.) as at March 28, 2014

### a) Share capital structure (as per art. 123-bis, paragraph 1(a) of T.U.F.)

- Subscribed and paid-up share capital amount in Euro: **196,849,800.00 Euro**.

- Classes of shares constituting the share capital: **common shares with voting rights**.

**The share capital is divided into 98,424,900 common shares of a nominal value of Euro 2 each.**

| <b>SHARE CAPITAL DATA</b> |                         |  |                             |
|---------------------------|-------------------------|--|-----------------------------|
|                           | <b>Number of shares</b> | <b>% with respect to share capital</b> | <b>Listing Market</b>       |
| <b>Common shares</b>      | <b>98,424,900</b>       | <b>100%</b>                            | <b>Italy - STAR Segment</b> |

On the 23rd of April, the Shareholders' Assembly resolved a share capital increase without right of option as per section 2441, paragraph 5, of the Italian Civil Code, exclusively servicing the equity-linked notes issue, reserved to Italian and foreign qualified investors. In connection with such notes issue, the noteholders are entitled to apply for the conversion, if any, of the notes into already existing or newly issued shares and the Company is entitled to repay the principal amount by delivery of shares or by cash, or by a combination of shares and cash. The main data are summarized in the following table:

| <b>OTHER FINANCIAL INSTRUMENTS</b><br><b>(conferring the right to subscribe newly issued shares)</b> |                         |  |   |  |
|--|-------------------------|--|---|--|
|  | <b>Listing Market</b>   | <b>Number of outstanding convertible notes</b> | <b>Class of shares allocated for conversion</b> | <b>Number of shares allocated for conversion</b> |
| <b>Convertible notes</b>   | <b>Luxembourg - MTF</b> | <b>130,000</b>                                 | <b>Common</b>                                   | <b>17,568,517</b>                                |

No share-based benefit plan was adopted entailing any increase, also on a free-of-charge basis, in the company's share capital.

### b) Restrictions on the transfer of shares (as per art. 123-bis, paragraph 1(b) of T.U.F.)

There are no restrictions on the transfer of shares.

**c) Significant shareholdings (as per art. 123-bis, paragraph 1(c) of T.U.F.)**

The shareholders owning a number of shares representing more than 2% of the share capital, as appearing from the Shareholders' Register, from the notices received pursuant to art. 120 of T.U.F. and from other information available are, as at January 2, 2013, the following:

| DECLARANT                   | DIRECT SHAREHOLDER                  | NUMBER OF SHARES  | SHAREHOLDING % |
|-----------------------------|-------------------------------------|-------------------|----------------|
| FIN.AST. S.r.l.             | <i>FIN.AST. S.r.l.</i>              | 39.505.495        | 40,138%        |
|                             | <i>Finetupar International S.A.</i> | 12.327.967        | 12,525%        |
|                             |                                     | <b>51.833.462</b> | <b>52,663%</b> |
| Odin Forvaltning AS         | <i>Odin Forvaltning AS</i>          | 4.828.885         | 4,906%         |
|                             |                                     |                   |                |
| Norges Bank                 | <i>Norges Bank</i>                  | 2.118.499         | 2,152%         |
|                             |                                     |                   |                |
| Pictet Asset Management Ltd | <i>Pictet Asset Management Ltd</i>  | 2.065.633         | 2,099%         |
|                             |                                     |                   |                |
| FMR LCC                     | <i>FMR LCC</i>                      | 1.999.104         | 2,031%         |
|                             |                                     |                   |                |
| <b>TOTAL</b>                |                                     | <b>62.845.583</b> | <b>63,851%</b> |

**d) Shares with special rights (as per art. 123-bis, paragraph 1(d) of T.U.F.)**

No share with special controlling interests has been issued.

**e) Employees' shareholding: manner of exercise of voting rights (as per art. 123-bis, paragraph 1(e) of T.U.F.)**

No employees' shareholding scheme has been adopted.

**f) Restrictions on voting rights (as per art. 123-bis, paragraph 1(f) of T.U.F.)**

There are no restrictions on voting rights.

**g) Shareholders' agreements (as per art. 123-bis, paragraph 1(g) of T.U.F.)**

Within the framework of the operation of issue of equity-linked notes, as set forth under point 2 a) above, Fin.Ast. S.r.l., in its capacity as shareholder holding the controlling interest in Astaldi S.p.A., entered into a commitment in favour of the latter to support said operation of issue of notes and to vote in favour of the share capital increase connected therewith, approved by the Meeting of the Shareholders of Astaldi S.p.A. held on April 23, 2013.

**h) Clauses of change of control (as per art. 123-bis, paragraph 1(h) of T.U.F.) and By-laws provisions in matter of Public Take-over Offer (as per art. 104, paragraph 1-ter, and 104-bis, paragraph 1)**

Astaldi S.p.A. and its subsidiaries have not entered into any significant agreement which becomes effective or is terminated in the event of change in the holder of the controlling interest in the contracting party.

In matter of Public Take-over Offer, neither do the By-laws of Astaldi S.p.A. contain any provision which is applicable notwithstanding the passivity rule under art. 104, paragraphs 1 and 2, of T.U.F. nor provide for the application of breakthrough rules according to art. 104-bis, paragraphs 2 and 3, of T.U.F..

**i) Powers to increase the Company's share capital and authorization to purchase Company's own shares (as per art. 123-bis, paragraph 1(m) of T.U.F.)**

The Board of Directors of Astaldi S.p.A. has neither been vested with any power to increase the Company's share capital pursuant to Section 2443 of the Italian Civil Code, nor is authorized to issue participating financial instruments.

*On April 23, 2013, the Assembly of the Shareholders of Astaldi S.p.A., with reference to **plan of purchase and sale of Company's own shares**, pursuant to sections 2357 et seq. of the Italian Civil Code and art. 132 of D.Lgs. No. 58 of February 24, 1998, approved the renewal of the authorization to purchase Company's own shares for a period of twelve months effective from May 27, 2013 and expiring on Monday the 26<sup>th</sup> of May, 2014, considering that, also in view of Consob Resolution No. 16839 of March 19, 2009, the purposes of favouring the normal course of negotiations, avoiding price fluctuations inconsistent with market trend and ensuring appropriate support to the market trading volume of Company's own shares may still be attained.*

*Therefore, the Shareholders' Assembly considered the possibility of renewing, for a period of 12 months running from May 27, 2013, the authorization granted to the Board of Directors:*

- to purchase Company's common shares of a nominal value of 2.00 euro each, up to a maximum rolling number of 9,842,490 shares, including treasury shares already held by the Company, with the additional obligation that the amount of shares shall never exceed Euro 24,600,000.00 (without detriment to the limit of distributable profits and reserves available under art. 2357, 1st clause, of the Italian Civil Code);*
- to fix a unit price of purchase not lower than 2.00 euro and not higher than the average price of the latest 10 stock market working days immediately preceding the date of purchase, increased by 10%.*

*Moreover, the subject-matter plan provides that the Board of Directors be authorized, by virtue of the Shareholders' Meeting resolution of April 18, 2011, without any time limit, to sell Company's own shares purchased at a unit price not lower than the average price of the latest 10 stock market working days immediately preceding the date of sale, decreased by 10%, and to dispose, similarly without any time limit, of treasury shares through share exchange transactions within the framework of strategic transactions which the Company is interest in, among which, in particular, securities exchange and/or contribution, provided that the value attributed to the shares within the framework of such transactions is not lower than the average book value of treasury shares held. Company's treasury shares may also be used, without any time limit, in connection with possible future stock grant and/or stock option plans, notwithstanding, in this case, the above-mentioned criteria of determination of the price of sale, which shall not anyway be lower than the so-called "normal value" as provided for by tax laws.*

*The Board of Directors is further authorized to carry out securities lending operations – in which Astaldi S.p.A. acts as lender – on Company's own shares.*

*As to the manner of sale and/or disposal of the shares purchased as above, without detriment to the authorization already granted to such respect, without any time limit, by the Shareholders' Meeting held on April 18, 2011 mentioned above, and in addition thereto, the Shareholders' meeting held on April 23, 2013 resolved to authorize – within the framework of the equity-linked notes issue approved on January 23, 2013 and entirely placed on January 24, 2013 (the "**Notes Issue**"), the Board of Directors to use – effective from May 27, 2013 and without any time limit – the shares intended for setting up the "provision of treasury shares", in accordance with the Regulation governing the Notes Issue and in accordance with the provisions of Consob Resolution No.16839 of March 19, 2009, also for the possible conversion, which the noteholders are entitled to apply for, of the equity-linked notes into Company's common shares already issued.*

*Moreover, as implementation of said resolution, the Company held 520.120 treasury shares as at December 31, 2013.*

#### **I) Activity of direction and coordination (as per section 2497 et seq. of the Italian Civil Code)**

*Astaldi S.p.A. is not subjected to the "direction and coordination" of any of its shareholders, since the Company's Board of Directors takes any and all of its decisions on the management of Company's activities in full autonomy and independence.*

\* \* \* \* \*

#### **Finally, it is underlined that:**

- the information to be disclosed under art. 123-bis, first paragraph, letter i) ("*the agreements between the company and its directors ... providing for any indemnity in the event of resignation or dismissal without any well-grounded reason, or in the event of termination following to public take-over offer*") are set forth in the Report's section focusing on directors' remuneration (Section 9), as well as in the Remuneration Report published in accordance with art. 123-ter of T.U.F.;
- the information to be disclosed under art. 123-bis, first paragraph, letter l) ("*the provisions applicable to the appointment and replacement of directors ... as well as to the amendment of the By-laws, if different from the provisions of laws and regulations applicable if not otherwise provided for*") are set forth in the Report's section relating to the Board of Directors (Section 4.1)

### **3. COMPLIANCE (as per art. 123-bis, paragraph 2(a) of T.U.F.)**

Astaldi S.p.A., as a company listed in the STAR Segment, complies with the "**Corporate Governance Code for listed companies**", drawn up by Borsa Italiana S.p.A.

It is reminded that the subject-matter Code is made available at the website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

Astaldi S.p.A. and its strategic subsidiaries do not appear to be subjected to any provision of foreign laws affecting the Company's corporate governance structure.

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND REPLACEMENT (as per art. 123-bis, paragraph 1(l) of T.U.F.)**

Pursuant to the provisions of the laws governing the matter, the By-laws of Astaldi S.p.A. provide for the "**list vote**" for the appointment of the Board of Directors.

In particular, according to the provisions of the By-laws, the shareholders globally holding, individually or collectively with the other shareholders with whom they **file** the same list, a number of shares representing at least **2.5%** (or the lower percentage provided for by the provisions of applicable laws and regulations) of the company's share capital with voting right in Shareholders' Ordinary Meetings, are entitled to file lists.

Still according to the By-laws, the lists, signed by the filing parties and complying with the law provisions, must be **filed** at the Company's registered office, according to the terms and manner provided for by applicable laws and regulations.

The members of the Board of Directors are **elected** as follows:

- 1) a number of directors equivalent to the total number of the members of the Board of Directors fixed by the shareholders' assembly minus one are drawn, in the progressive number in which they are listed in the list, from the list that has obtained the higher number of votes cast by the shareholders. In the event no list has obtained a number of votes higher than the others, the Shareholders' Meeting shall be called again for a new voting session to be held in accordance with the By-laws;
- 2) one Director, that is the candidate ranking first in the list, is drawn from the list which ranked second in number of votes and which is not connected, in accordance with the criteria provided for by the laws governing the appointment of minority auditors, with the shareholders having submitted or voted the list which ranked first in number of votes. In the event two or more lists filed by minority shareholders have obtained the same number of votes, the candidate senior in age among those ranking first in the lists having obtained an equal number of votes is appointed as Director.

In the event **one sole list** or not any list is submitted, the Shareholders' Assembly shall resolve according to the majorities provided for by the law, without following the above procedure.

For the purpose of **allotment** of the directors to be appointed, the lists which have not obtained a percentage of votes of at least one half the minimum percentage required for submitting the lists themselves, shall not be taken into account.

The By-laws provide that the lists shall be accompanied, *inter alia*, with the candidates' statements by which the same attest, under their own responsibility, the possible fulfilment of the **requirements of independence** provided for by the law.

Moreover, in order to ensure the appointment of the **minimum number of independent Directors** in accordance with the provisions of art. 147-ter, paragraph 4, of TUF, the By-laws expressly provide that "*each list shall include the candidature of individuals meeting the requirements of independence provided for by the law and their number shall be at least equal to the number of independent directors who, according to the law, shall make part of the Board of Directors*".

In order to ensure the balance between genders, art. 16 of the Company's By-laws provide that each list containing three or more candidates shall include a number of candidates who, meeting the

requirements provided for by the laws and the By-laws, belong to the gender which is less represented within the Board of Directors, in the proportion of **one fifth** of the candidates for members of the Board of Directors to be appointed on the occasion of the first renewal of such managing body taking place after August 12, 2012, and **one third** of the candidates for members of the Board of Directors to be appointed for the two terms of office subsequent thereto.

In order to ensure, with a view to substantial equality, the balance between genders as far as concerns the access to corporate offices, one fifth of the members of the Board of Directors, appointed by the Shareholders' meeting held on April 23, 2013 to renew the managing body, belongs to the gender which is less represented within the Board of Directors.

As far as the **termination of Directors is concerned**, according to the By-laws, in the event of vacancy, during the financial year, of one or more directors appointed from the **list having obtained the higher number of votes** and provided that the majority is still constituted of directors appointed by the shareholders' assembly, any such vacancy shall be filled in accordance with the provisions of Section 2386 of the Italian Civil Code.

While, in the event of vacancy, during the financial year, of the director appointed from the **list which ranked second in number of votes**, the By-laws provide for its replacement pursuant to the following:

- a) the Board of Directors appoints the new director from the candidates within the same list to which the director terminated from office belonged, provided that the shareholders who submitted such list still hold the participating interest required for submitting the list, and the shareholders' meeting to be held thereafter shall resolve, according to the majorities provided for by the law, in compliance with the same principle. In the event the termination of such director occurs after the first renewal of the Board of Directors taking place after August 12, 2012, or during the two terms of office subsequent thereto, and determines any change in the balance of genders within the Board of Directors, replacement shall take place by scrolling down the list up to a candidate belonging to the less represented gender;
- b) in the event the new director can not be appointed from the list which ranked second in number of votes pursuant to paragraph a) above, the Board of Directors – in compliance with the provisions governing the balance between genders, in the event the termination occurs after the first renewal of such managing body taking place after August 12, 2012 or during the two terms of office subsequent thereto - appoints the new director from the candidates within the lists which ranked lower than second in number of votes, in progressive order, provided that the shareholders who submitted the list from which the new director is appointed still hold the participating interest required for submitting the list, and the shareholders' meeting to be held thereafter shall resolve, according to the majorities provided for by the law, in compliance with the same principles;
- c) in the event there is not any candidate who has not been appointed yet, or anyway when the provisions of paragraphs a) and b) can not be complied with for any reason whatsoever, the Board of Directors shall appoint the new director, as the same shall be appointed by the shareholders' meeting to be held thereafter, in accordance with the majorities provided for by the law and notwithstanding the list vote, but still in compliance with the provisions of laws and regulations and these By-laws in matter of minimum number of independent directors and the provisions on the balance of genders, in the event the termination occurs after the first

renewal of such managing body taking place after August 12, 2012, or during the two terms of office subsequent thereto.

Moreover, in accordance with the By-laws, should for any reason the majority of the board members be vacant, the entire Board of Directors shall fall from office, and the directors still holding office shall urgently call the Shareholders' Meeting for the appointment of the new Board of Directors. The Board of Directors shall also hold office until the Shareholders' Meeting shall have resolved upon the renewal of such body and until the appointment shall have been accepted by more than half of the new Directors; until then, the Board of Directors may perform exclusively ordinary administration tasks.

The Company is not subjected to any additional sector regulation in matter of composition of the Board of Directors.

### **Succession plans**

The Company did not deem advisable to adopt any plan in matter of succession of executive directors, also taking into account the Company's shareholding structure.

### **4.2 COMPOSITION (as per art. 123-bis, paragraph 2(d) of T.U.F.)**

The Board of Directors of Astaldi S.p.A. was appointed on April 23, 2013 for the three-year period 2013/2015 and its term of office expires upon approval of the financial statements for the year ending December 31, 2015.

Such appointment was made in compliance with the provisions of the Company's By-laws and of art. 147-ter of T.U.F., on the basis of:

- a list submitted by the shareholder Fin.Ast. S.r.l. owning 39,505,495 shares, corresponding to 40.138% of the share capital;
- a list submitted by the following shareholders:
  - Arca SGR S.p.A. manager of investment funds Arca Azioni Italia and Arca BB;
  - Eurizon Capital SA, manager of investment funds EEF - Equity Italy and EEF - Equity Italy LTE;
  - Eurizon Capital SGR, manager of investment funds Eurizon Azioni Italia and Eurizon Azioni PMI Italia;
  - Pioneer Asset Management SA;
  - Pioneer Investment Management SGR p.A., manager of investment funds Pioneer Italia Azionario Crescita and Fondo Pioneer Italia Azionario Paese Emergenti,collectively owning, as at the date of the Shareholders' Meeting, 3,134,788 shares, corresponding to 3.187% of the share capital.

The list submitted by the shareholder Fin.Ast. S.r.l. obtained the favourable vote of 71.869% of the Company's share capital attending the meeting, thus appointing 12 Directors. The list submitted by the Investment Funds mentioned above obtained the favourable vote of 28.087% of the Company's share capital, thus appointing 1 Director.

As far as concerns the candidates' personal and professional characteristics, please refer to the information published in the Company's website ([www.astadi.com](http://www.astadi.com)), Governance/Board of Directors menu.

In relation to the composition and characteristics of the Board of Directors in office, please refer to Table 2 attached hereto.

#### **Maximum cumulative number of positions held in other companies**

To this respect, the Company's Board of Directors, in its meeting of November 13, 2006, defined, by a specific resolution, the general criteria adopted by the Company relating to the maximum number of positions as director or auditor which may be held by the Company's Directors in other companies listed on regulated markets (including foreign markets), in financial, bank, insurance or any large-size companies, as provided for by art. 1.C.3 of the Corporate Governance Code.

In particular, on such occasion, the Board of Directors resolved to set:

- the (cumulative) number of positions as director or auditor which may be held by "non-executive" and "independent" directors, up to a maximum of **6**;
- the (cumulative) number of positions as director or auditor which may be held by "executive" directors, up to a maximum of **4**;

However, for the purpose of the above calculation, the positions as director or auditor held by Astaldi S.p.A.'s Directors within the Group's companies shall not be taken into account.

#### **Induction Programme**

The Chairman invited the Company's executives, and the executives of Group's companies to take part in Board of Directors' meetings periodically held in order to produce proper information in relation to the Company's dynamics and the reference sector in which Astaldi S.p.A. carries out its activity.

Moreover, the Chairman called for meetings to be jointly attended by Directors, Auditors and some Company's executives, aimed at better explaining the evolution of the corporate business and providing them with a closer knowledge of the Company's Business Plan.

#### **4.3 BOARD OF DIRECTORS' ROLE (as per art. 123-bis, paragraph 2(d) of T.U.F.)**

The Board of Directors plays a key role within the Company's organization. In fact, it is responsible for setting the Company's strategic and organizational policies, as well as for ensuring the implementation of the necessary controls aimed at monitoring the Company's and the Group's performance. Pursuant to art. 22 of the Company's By-laws, the Board of Directors is vested with full powers for the management of the Company.

In agreement with the Company's By-Laws, **12 meetings** of the Board of Directors, of an **average duration** of approximately 2 hours each, were held in 2013, with a limited number of absences of Directors and Auditors, all of which were duly justified.

Moreover, the Board of Directors, pursuant to stock exchange regulations on this matter, approved and subsequently forwarded to Borsa Italiana S.p.A. and to the market, with reference to financial year 2014, the **calendar** setting forth the dates of future Board meetings to be held for the approval of the draft financial statements, half-yearly report and quarterly reports (the so-called "2014 Corporate Calendar"), as set forth below and made available in the corporate website (Governance/Financial Calendar" menu).

| DATE                    | CORPORATE EVENT              | SUBJECT  |
|-------------------------|------------------------------|--|
| <b>28 March 2014</b>    | <b>Board of Directors</b>    | Approval of the 2013 <b>Draft Individual and Consolidated Financial Statements</b> |
| <b>30 April 2014</b>    | <b>Shareholders' Meeting</b> | Approval of 2013 <b>financial statements</b>                                       |
| <b>14 May 2014</b>      | <b>Board of Directors</b>    | Approval of 2014 First Quarter Results   |
| <b>4 August 2014</b>    | <b>Board of Directors</b>    | Approval of <b>Half-yearly Report</b> as at June 30, 2014                          |
| <b>12 November 2014</b> | <b>Board of Directors</b>    | Approval of 2014 Third Quarter Results   |

Moreover, during 2014, meetings of the Company's Board of Directors were held on the following dates: January 28, 2014 and February 10, 2014. Such meetings were not included in the above Financial Calendar since the topics discussed thereat did not concern Company's accounting documents and/or periodical financial reports.

It is further underlined that pre-meeting documents are made available (if possible, in electronic format, through an Internet portal) by the Board of Directors' Secretary, upon mandate given by the Board of Directors' Chairman, to the Directors and to the Auditors, prior to the Board of Directors' meeting, in order to ensure a complete and correct evaluation of the topics brought to the Board of Directors' attention. In accordance with the established practice, pre-meeting documents are made available as set forth above upon calling the Board of Directors' meeting, or within 3 days coming immediately next to such calling. Such practice is generally observed and the Company is organizing appropriate steps to make available the pre-meeting documentation more in advance.

Moreover, Board of Directors' meetings may be attended, upon invitation, by Company's executives so as to provide proper details on the topics of the agenda, in compliance with the provisions of Implementation Criterion 1.C.6 of the Corporate Governance Code for Listed Companies.

\* \* \* \* \*

In particular, in compliance with Implementation Criterion 1.C.1 of the Corporate Governance Code for listed companies, the Board of Directors:

- a) examines and approves the Company's and the Group's strategic, industrial and financial plans, periodically monitoring their implementation, and defines the Company's corporate governance system and the Group's corporate structure;
- b) defines the nature and the degree of risk compatible with the Company's strategic targets;
- c) evaluates the adequacy of the organizational, administrative and accounting structure of the Company and of its strategically important subsidiaries, with particular reference to the internal audit system and the management of risks;
- d) defines the frequency, which shall never exceed a period of three months, with which Chief Executive Officer, upon whom powers have been conferred, shall report to the board in connection with the activities carried out while exercising the relevant powers;

The Board of Directors, pursuant to **Implementation Criterion 1.C.1.(e) of the Corporate Governance Code**, on the occasion of the meetings held during 2013, regularly evaluated the management's general performance, also on the basis of the information collected from corporate bodies, thus periodically comparing achieved results with scheduled results.

Pursuant to Implementation Criterion 1.C.1(f) of the Corporate Governance Code, the Board of Directors was entrusted, in accordance with the laws and the By-laws, with the exclusive task of examining and priorly approving the Company's transactions and its subsidiaries', whenever such transactions are of a significant strategic, economic, equity or financial importance for the Company itself.

**The Board of Directors has not set any general criteria to identify the transactions which** are of significant strategic, economic, equity or financial importance for the Issuer. This because, due to the peculiarity of the Company's business, it is considered as more appropriate to assess, the importance of the transactions carried out, from time to time, within the framework of the periodical information provided by the corporate bodies to the Board of Directors.

As far as transactions with related parties are concerned, please refer to paragraph 12 herebelow.

*The Board of Directors, in compliance with Implementation Criterion 1.C.1(g) of the Corporate Governance Code, properly considered the dimension, composition and manner of operation of the Board itself and of its Committees, by also taking into account the characteristics of professionalism, experience and gender, as well as seniority, of the relevant members.*

*Such evaluation was carried out by means of a proper self-evaluation system (the so-called Board Performance Review) in which all the Company's Directors were involved.*

*In particular, a proper questionnaire, worked out by the Legal Affairs, Corporate Governance and Chairman's Office Department, was distributed to the Directors, by which each Directors could express his/her own considerations on the following most important aspects of the Company's governance:*

- *Board of Directors' role and influence on the Company's strategic decisions and in defining management's organizational structure, as well as on the verification of the Company's strategic framework and main risks;*
- *Directors' relationship with the Company's Top Management, with particular reference to Independent Directors, and existence of initiatives aimed at enhancing the Directors' knowledge of the Company's business;*

- recurrence and duration of Board of Directors' meetings, timeliness and completeness of the documents provided to the Directors and closer investigation of the relevant issues;
- composition of internal Committees, with particular reference to the Risks and Audit Committee and the Remuneration Committee, and reporting of the activities carried out by the Committees themselves to the Board of Directors;
- number of members of the Board of Directors belonging to the less represented gender;
- Board of Directors' role in determining management's remuneration and reward plan.

Board Performance Review results, illustrated to the Board of Directors during its meeting held on November 11, 2013, confirmed that Company's Directors consider themselves as fully satisfied in connection with some specific aspects, such as, more in detail:

- the atmosphere in which Board of Directors' meetings are held, which allows the Directors' active participation;
- Board of Directors' leadership and management, which is considered as aligned with the best standards;
- the relationship between independent Directors and Company's Top Management, which is considered as positive and profitable;
- the comprehension and sharing of objectives in matter of operations and results;
- number of members of the Board of Directors belonging to the female gender.

Prior to its renewal, the Board of Directors has not expressed any recommendation to the Shareholders about the professionals whose presence is deemed advisable, thus deciding to let the shareholders take such decision directly on their own.

With reference to **Implementation Criterion 1.C.4 of the Corporate Governance Code**, it is underlined that the Assembly of the Shareholders of Astaldi S.p.A. did not authorize, either from a general point of view or as a precautionary measure, any act which may be in disregard of the prohibition laid down by section 2390 of the Italian civil code.

#### **4.4. CORPORATE BODIES**

##### **CHIEF EXECUTIVE OFFICER**

The Company's Board of Directors, during its meeting held on April 23, 2013, appointed Dr. Stefano Cerri as Chief Executive Officer, entrusting the same with the task of defining, in agreement with the Company's Chairman and the Deputy Chairman Dr.Ing. Giuseppe Cafiero, the Company's development strategies to be submitted to the Board of Directors and of taking care of their implementation in compliance with the directions given and the resolutions taken by the Board of Directors itself.

The Board of Directors set the following restrictions to the powers conferred upon Dr. Cerri: (i) signing bids for acquiring works on contract and/or concessions, including those under the form of project financing, up to the amount of 600 millions of euros and, in the event of successful bid, entering into the relevant contracts, and signing any other deed necessary therefor; (ii) entering into, amending and terminating contracts for the purchase or sale of real-estate up to the maximum amount of Euro 26,000,000.00 per each transaction.

Dr. Stefano Cerri, who holds office as Chief Executive Officer (and, as such, taking on the main responsibility for the management of Astaldi S.p.A.) is presently holding no other position as director in any other issuer which is not a Group's company, the Chief Executive Officer of which holds office as director of Astaldi S.p.A.. In particular, the situation of interlocking directorate provided for by

Implementation Criteria 2.C.5 of the Corporate Governance Code adopted by the Company does not occur.

#### **CHAIRMAN**

The activities of the Board of Directors are coordinated by the Chairman. The Chairman calls the Board meetings and directs their operation, ensuring that members are given reasonably in advance – except in cases of necessity or urgency – all the documents and information necessary to the Board so that the latter may advisedly decide on the relevant topics.

No lead independent director has been designated, because the Chairman of the Board of Directors has neither been vested with any exclusive power on the basis of which the same is liable for the management of the Company nor controls the same, as set forth in closer detail in paragraph 4.7 below.

#### **INFORMATION TO THE BOARD**

The Chief Executive Officer reports to the Board of Directors and the Board of Auditors, on a regular and at least quarterly basis in accordance with the provisions of the By-laws, the main activities carried out in performing his duties.

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

The Board of Directors, as set forth in Table 2 attached hereto, is presently constituted of **3 Executive Directors** holding executive tasks within the Company.

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

The Board of Directors, following its appointment by the Shareholders' Meeting held on April 23, 2010, pursuant to the **Implementation Criterion 3.C.3 of the Corporate Governance Code**, deemed that **independence requirements** are met by the Directors Giorgio Cirila, Paolo Cuccia, Mario Lupo, Guido Guzzetti, Chiara Mancini, Nicoletta Mincato and Eugenio Pinto. Such evaluation was made by taking into account independence parameters set forth in the Corporate Governance Code itself, as well as significance criteria as defined in the Instructions given by Borsa Italiana S.p.A., by caring for substantial rather than formal aspects.

The Board of Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its own members.

Notice of the outcome of such verification activities, which were carried out following the appointment, by the Shareholders' Assembly, of the Board of Directors presently in office, was given to the market on April 23, 2013 (please refer to the proper press release made available in the Company's website "Media Center/Press Release" menu).

Still pursuant to **Implementation Criterion 3.C.4 of the Corporate Governance Code**, during today's meeting, the Board of Directors carried out the annual assessment of the fulfilment of independence requirements on the part of the above-mentioned Directors, the outcome of which showed no change with respect to the previous situation.

During financial year 2013, independent directors deemed that it was not advisable to hold meetings in the absence of the other directors.

The Company organized, during the last few years, visits to construction sites, meetings aimed at providing a closer knowledge of the corporate business and other initiatives with the focus on enhancing the directors', and especially independent and non-executive directors' knowledge, of Company's activities and dynamics.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

It is underlined that, since the preconditions of the Corporate Governance Code (Implementation Criterion 2.C.4) are not met, further taking into account the statements of paragraphs 4.4 of this Report, the Board of Directors deemed not to designate any **Lead Independent Director**.

### **5. PROCESSING OF CORPORATE INFORMATION**

Pursuant to **Implementation Criterion 1.C.1.(j) of the Corporate Governance Code**, the Company, in order to ensure correct internal management and timely external communication of any significant event taking place within the sphere of activity of the Company and its subsidiaries and which, at least potentially, is capable of significantly affecting the price of the Company's shares (the so-called "price sensitive information"), avails itself with the "**Continuous Information**" procedure (the most recent revision of which by the Board of Directors was made on August 1, 2012).

In short, the above procedure governs the timing and methods for the management of corporate information, further providing, *inter alia*, that those who become acquainted with the aforementioned information act as a link between their respective area of responsibility and the Company's top management, so as to allow proper assessment of such facts or information.

In fact, the involvement of an Assessment Committee (formed of the Managers of the Legal Affairs and Corporate Governance Department, the Investor Relations and the Directorate concerned) specifically set up to this purpose is provided for as a subsequent step, in order to provide, on the basis of an attentive examination of the fact, proper assistance in the correct construction of the sector's regulations and possibly work out and circulate such communications.

### **6. COMMITTEES INTERNAL TO THE BOARD OF DIRECTORS**

**(as per art. 123-bis, paragraph 2(d) of T.U.F.)**

The Company set up an Appointments Committee, a Remuneration Committee, a Risk and Control Committee and a Related Parties Committee.

### **7. APPOINTMENTS COMMITTEE**

The Company set up an Appointments Committee effective from April 23, 2013.

#### **Composition and operation of the Remuneration Committee (as per art. 123-bis, paragraph 2(d) of T.U.F.)**

The Remuneration Committee is presently formed of three non-executive Directors, the majority of whom are independent directors, as follows:

Ernesto Monti (Chairman)

Non executive

Eugenio Pinto

Non-executive/Independent

Mario Lupo

Non-executive/Independent

Not any meeting of such Committee was held in 2013.

In relation to the composition and characteristics of the Appointments Committee, please refer to Table 2 attached hereto.

### **Appointments Committee's functions**

The Appointments Committee has the duty of (i) providing the Board of Directors with opinions on the number of its members and its composition, (ii) expressing recommendations on the professionals the presence of whom within the Board of Directors is deemed advisable, (iii) proposing candidates for director in the cases of co-optation, in the event independent directors have to be replaced.

## **8. REMUNERATION COMMITTEE**

The Company set up, effective from February 5, 2002, a Remuneration Committee, also responsible for stock options and stock grant plans, if any.

### **Composition and operation of the Remuneration Committee (as per art. 123-bis, paragraph 2(d) of T.U.F.)**

Therefore, the Remuneration Committee is presently formed of three non-executive Directors, the majority of whom are independent directors, as follows:

|                          |                           |
|--------------------------|---------------------------|
| Ernesto Monti (Chairman) | Non executive             |
| Eugenio Pinto            | Non-executive/Independent |
| Giorgio Cirila           | Non-executive/Independent |

As far as the Chairman of the Committee is concerned, the Company decided not to apply Principle 6.P.3 of the Corporate Governance Code. The reason for such non-application arises from the fact that the Chairman of the Remuneration Committee, Prof. Ernesto Monti, despite not being independent director in accordance with the Code itself, is the most appropriate member of the Board of Directors, in terms of skills, professionalism and experience, to act as Chairman of the subject-matter Committee, besides being independent pursuant to the provisions of the T.U.F.

As recommended by the Corporate Governance Code, the Committee's members have appropriate knowledge and skills in accounting and financial matters.

During 2013, the Remuneration Committee held 6 (six) meetings, of an average duration of 1 hour each, attended by all Committee members.

The Committee, depending on the topics discussed, invited non-members of the Committee, among whom, in particular, the Chairman, the Chief Executive Office and Dr.Ing. Giuseppe Cafiero, Deputy Chairman, to attend its meetings. It is understood that no director attended Committee's meetings

during which proposals were made and resolutions taken in connection with any such director's remuneration.

In relation to the composition and characteristics of the Remuneration Committee in office, please refer to Table 2 attached hereto.

#### **Remuneration Committee's functions**

- In particular, in compliance with **Implementation Criteria 6.C.5 of the Corporate Governance Code**, the Remuneration Committee is essentially entrusted with the following tasks:
- periodically assessing the adequacy, the global consistency and the actual application of the policy adopted in matter of remuneration of directors and executives having strategic responsibilities, by availing itself, with respect to such latter aspect, of the information provided by the Chief Executive Officer;
- submitting to the Board of Directors proposals on such matter;
- submitting proposals and expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors performing specific functions, as well as on the determination of performance targets linked to the variable components of such remuneration;
- monitoring the application of the decisions adopted by the Board of Directors itself by checking, in particular, the actual achievement of performance targets;

During the 6 meetings held in 2013, all evidenced by valid minutes, the subject-matter Committee provided opinions and made proposals, particularly in connection with the following:

- the remuneration of directors vested with special powers and of General Managers;
- the 2013/2013 Stock Grant reward system;
- validating the achievement of the parameters required for 2012 stock grant vesting;
- defining the parameters upon the achievement of which 2013 stock grant vests;
- defining the Top Management's reward system (the so-called MBO).

Three of said meetings of the Remuneration Committee were attended by the Chairman of the Company, Paolo Astaldi, while only one of such meetings was attended by the Deputy Chairman, Giuseppe Cafiero, the Chief Executive Officer Stefano Cerri and the Director Luigi Guidobono Cavalchini, all invited by the Committee members.

In order to fulfil its functions, as set forth above, the Committee was granted access to the necessary information, by means of the respective corporate offices, with the Legal Affairs, Corporate Governance and Chairman's Office Department.

## **9. REMUNERATION OF DIRECTORS**

### **General Remuneration Policy**

During its meeting, the Board of Directors approved, pursuant to art. 123-ter of T.U.F., the Remuneration Report to be submitted to next Shareholders' Meeting approving the financial statements and setting forth 2014 general remuneration policy.

Therefore, more detailed information are set forth in said Remuneration Report to be published in the Company's website in accordance with the laws and regulations governing the matter.

### **Share-based Remuneration Plans**

The Shareholders' Meeting of April 23, 2013 approved the guidelines of the **Company's "Stock Grant Plan" for the three-year period 2013/2015**, as previously worked out by the Board of Directors during its meeting held on March 22, 2013, upon the Remuneration Committee's proposal of March 21, 2013. Subsequently, the Board of Directors, during its meeting held on August 2, 2013, by virtue of the powers conferred upon the same during said shareholders' meeting, approved the relevant Regulation for the implementation of the Plan.

More in detail, the subject-matter Plan is based on a reward system mainly providing for the grant, on a free-of-charge basis, of Astaldi S.p.A. shares to six top managers (i.e. the Chief Executive Officer and five General Managers), vesting annually during the three-year period, upon achievement of performance objectives annually defined by the Board of Directors, upon the Remuneration Committee's proposal.

More detailed information on the subject-matter Stock Grant Plan are set forth in the "Information document pursuant to art. 84-bis, paragraph 1, of the Regulation adopted by Consob by Resolution No. 11971 of May 14, 2013, as subsequently amended and supplemented" relating to the Astaldi S.p.A. 2013-2015 Stock Grant Plan, published in the corporate website ("Governance/Documents" menu).

It is underlined that the subject-matter Stock Grant Plan provides for specific lock-up periods on the shares which annually vest the respective grantees. More detailed information are set forth in the "Remuneration Report" and in the "Information Document pursuant to art. 84-bis, paragraph 1, of the Regulation adopted by Consob by Resolution No. 11971 of May 14, 2013, as subsequently amended and supplemented" relating to the Astaldi S.p.A. 2013-2015 Stock Grant Plan".

### **Remuneration of Executive Directors**

The Chief Executive Officer is one of the executive directors taking part in 2013-2015 stock grant Plan. The Board of Directors, during its meetings held on May 14, 2013 and June 27, 2013, approved a short-term bonus plan exclusively reserved to top managers (the so-called "MBO") and, in particular, to the Chairman of the Board of Directors and to the Chief Executive Officer, consisting in the attribution, within the end of 2014, of a cash bonus upon the achievement of objectives which are of a particular importance to the Company.

Such bonus plans are described in closer details in said Remuneration Report published in the Company's website in accordance with the laws and regulations governing the matter.

### **Remuneration of managers having strategic responsibilities**

As to the remuneration of "executives having strategic responsibilities" of Astaldi S.p.A., please refer to the above-mentioned Remuneration Report published in the Company's website in accordance with the laws and regulations governing the matter.

### **Bonus schemes applicable to the Head of the Internal Audit Department and to the Manager in charge of drawing up the corporate accounting documents.**

With reference to financial year 2013, no specific bonus scheme has been provided for the "head of the internal audit department" and the "manager in charge of drawing up the corporate accounting documents".

### **Remuneration of non-executive directors**

It is specified that the remuneration of non-executive Directors is not linked to the Company's economic performance, and the same are not the grantees of any share-based benefit plan.

**Indemnity due to the Directors in the event of resignation, dismissal or termination of office following to a public take-over offer (as per art. 123-bis, paragraph 1(i) of T.U.F.)**

There is no presently valid agreement entered into with the Company's Directors providing for any indemnity in the event of resignation, dismissal, revocation without a well-grounded reason or termination of office following to a public take-over offer.

## **10. CONTROL AND RISK COMMITTEE**

Effective from February 5, 2002, the Company set up an Internal Audit Committee whose name was amended, on the occasion of the Board of Directors' meeting held on August 1, 2012, into Control and Risk Committee, consequently to the amendments to the Corporate Governance Code for Listed Companies having an impact on the Company's organization.

**Formation and operation of the Control and Risk Committee**

During the meeting held on April 23, 2013, a resolution was taken on the composition of the Control and Risk Committee which is presently formed of 4 non-executive directors, the majority of whom are independent directors, as follows:

- Eugenio Pinto (Chairman - Non-executive / Independent / expert in accounting and finance);
- Luigi Guidobono Cavalchini – Non-executive / Non-independent;
- Nicoletta Mincato - Non-executive/Independent;
- Guido Guzzetti - Non-executive/Independent.

The activity of the Control and Risk Committee is coordinated by the Chairman and, during 2013, the Risks and Audit Committee held 6 (six) meetings, of an average duration of approximately 2 hours, attended by the majority of its members, on January 22, February 19 and 25, May 23, July 23, October 23, respectively, all attended by the Chairman of the Board of Auditors. In particular, during the meeting held on May 24, 2013, the new composition of the Control and Risk Committee was acknowledged.

The Committee's meeting are mainly held on a quarterly basis and, as far as financial year 2014 is concerned, a meeting was already held on the 28<sup>th</sup> of January.

The meetings of said Committee are always attended by the Chairman of the Board of Auditors, in compliance with Implementation Criteria 7.C.3 of the Corporate Governance Code. Such meetings are attended also by the Internal Audit Department, since the Manager of said Department acts as Secretary of the Control and Risk Committee.

Upon the Committee's invitation – with reference to the topics discussed in connection with the provisions of Implementation Criterion 7.C.2 – the meetings were attended by the following: the Manager in charge of drawing up the corporate accounting documents, the Auditing Company, the Corporate Risk Management Department, other corporate Offices/Departments involved in the various topics discussed.

**Functions attributed to the Control and Risk Committee**

The Committee provides the Board of Directors with assistance in connection with the activities of direction and evaluation of the internal control and risk management system, as set forth in closer

detail in Implementation Criterion 7.C.1 of the Corporate Governance Code, expressing to such respect its prior opinion on the functions of evaluation, proposal and information attributed to the Committee itself (7.C.2).

More particularly, it fulfils the following tasks:

- a) evaluates, jointly with both the Manager in charge of drawing up corporate accounting documents and after hearing the independent auditors and the Board of Auditors, the suitability of the accounting standards adopted and, in the event of Groups, their homogeneity for the purposes of drafting the consolidated financial statements;
- b) expresses opinions on specific aspects concerning the identification of main corporate risks;
- c) examines the periodical reports of the internal audit department concerning the assessment of the internal control and risk management system. More in detail, with reference to the internal control system, examines – during the preliminary examination phase – the action plan and the most important periodical reports drawn up by the Manager of the Internal Audit Department;
- d) monitors the independence, the adequacy, the effectiveness and the efficiency of the Internal Audit Department;
- e) asks – if necessary – the Internal Audit Department to audit specific operational areas, concurrently giving the Chairman of the Board of Auditors notice thereof;
- f) reports to the Board of Directors, at least on a six-month basis, on the occasion of approval of the annual financial statements and of the half-yearly report, on the activities carried out and the suitability of the internal control and risk management system;
- g) expresses its opinion on the appointment, revocation, remuneration, suitability of resources of Head of the Internal Audit Department.

During its 6 meetings held in 2013, the Control and Risk Committee performed audit activities and tackled a number of various issues. More in detail, during said meetings, it examined and checked:

- the most important corporate risks in connection with financial year 2013, as illustrated by the Corporate Risk Management Department;
- the proposed 2013 Audit Plan, worked out by the Internal Audit Department (hereinafter also referred to as "SIA") on the basis of a well-organized process of analysis of risks, propaedeutical to approval by the Board of Directors;
- the provisions of the implementation criterion 7.C.2(a) of the Corporate Governance Code, jointly with the Manager in charge of drawing up corporate accounting documents and after hearing the auditors of accounts and the Board of Auditors;
- the internal audit activities planned and carried out during 2012 and the follow-up relating to the audits carried out in 2011;
- the "Internal Audit Manual", drawn up by taking advantage of the advice provided by Ernst & Young Financial Business Advisors, with a view to improving the methods adopted by SIA in compliance with the provisions of the Corporate Governance Code for Listed Companies and of the International best practices;
- the process of audit activities according to the 2013 Audit Plan with reference to selected projects being executed in Italy and abroad;
- the maintenance in force of the Quality Safety and Environment integrated management system certifications (DNV Det Norske Veritas acting as Certification Provider);
- the information on the projects being executed which are significant to the intents and purposes of the internal audit system, focusing on Fraud and IT Audit (1<sup>st</sup> Phase) and to the

intents and purposes of the Italian D.Lgs. 231/01 with reference to the offences as per art. 24-bis ("cybercrime offences") and 25-novies ("copyright offences").

The Committee reported to the Directors about its activities carried out during the first and second half of 2013.

The Control and Risk Committee's meetings held during 2013 were always attended by the Chairman of the Board of Auditors. All the meetings of the Control and Risk Committee are evidenced by proper minutes recorded in an appropriate book.

In order to fulfil its duties, the Risks and Audit Committee may have access to any information and may invite any corporate body to attend its meetings, as necessary, and may also avail itself of third-party advisors.

During 2014, one meeting of the Risks and Audit Committee was held on January 28, 2014, which was attended by the Chairman of the Board of Auditors, and during which the following topics were discussed:

- verification of the internal audit activities planned and carried out with reference to the 2013 Audit Plan;
- examination and approval of the 2014 Audit Plan proposed;
- examination of the impairment test procedure relating to the financial statements as at December 31, 2013, jointly with the Administration Department Manager;
- analysis, with reference to the main project being executed, of the items included in the Statement of financial position relating to: "contracts in progress" and "receivables from employers";
- detailed examination of the financial dynamics and of the equity- and income-related aspects of the projects constituting the works backlog.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, AND FINANCIAL REPORTING INTERNAL AUDIT SYSTEM**

The Company deems that the maintenance of an effective internal control and risk management system which the whole company may rely upon in order to achieve its objectives is of fundamental importance for the development and the management of its own activities.

An effective risk management and internal control system, in accordance with national and international best practice, must be aimed at allowing, through an appropriate process of identification, measurement and management of risks and of the relevant controls, to manage the company in a sound manner, correctly and consistently with the targets set, in order to meet not only internal requirements, but also those of shareholders, corporate control bodies, and reference laws and regulations.

To such respect, the Company defined its own risk management and internal control system by adopting a set of rules, procedures, organizational structures aimed at allowing, through an appropriate process of identification, measurement, management and monitoring of the main risks, to manage the company in a sound manner, correctly and consistently with the targets set, which may be divided into the following categories:

- a) the compliance of each of the Company's activities with the Company's purpose and the Top Management's directions, pursuant to internal procedures and regulations and to law provisions;
- b) the effectiveness and efficiency of corporate processes;
- c) the reliability and accuracy of accounting data, of economic-financial information and reporting;

d) the safeguard of the corporate assets by identifying behaviours which may be detrimental to the company's interests and/or deceptive practices.

The main and topical methodological reference used by the Company is the CO.S.O. Report which, properly adjusted according to the Company's characteristics, represents an effective analytical instrument for carrying out audit activities and assessing the various components of the Company's Internal Control System and providing the Top Management with a clear outlook of how the Risks Management and Internal Control System may be improved in terms of effectiveness and efficiency.

Since 2010 the Company, by setting up the Corporate Risk Management Department, started to evolve toward to "CoSO ERM – Enterprise Risk Management Integrated Framework" model in order to systematize a well organized and integrated risk management system. Such framework is becoming more and more important for the Internal Control System assessment activities.

The main characters involved in the Company's risk management and internal control system are the Board of Directors, the Control and Risk Committee, the Chief Executive Officer responsible for the risk management and internal control system, the Board of Auditors, the Auditing Company, the Supervisory Body, the Manager of the Internal Audit Department, the Manager in charge of drawing up corporate accounting documents, the Corporate Risk Management Department, second-party assurance departments/offices, the Top Management and all the operative personnel to the extent of the respective roles and responsibilities.

The Board of Directors – consistently with the internal control and risks management system guidelines defined by the same and taking advantage of the assistance constantly provided by the Control and Risk Committee in terms of advice and proposals – ascertains that the main risks affecting Astaldi S.p.A. and its subsidiaries are correctly identified, assessed, managed and monitored, determining the grade of compatibility thereof with a sound and correct management of the Company, consistently with the strategic, industrial and financial objectives set.

During the financial year, the Board of Directors was asked to evaluate corporate governance aspects in connection with the verification of the Company's main risks and of the corporate internal control system, also on the basis of the reports of the activities carried out by the Control and Risk Committee. To such respect, the Board of Directors, during its meeting held on August 2, 2013 and on January 28, 2014, also on the basis of the results of the activity carried out by the Control and Risk Committee during its meetings held on July 23, 2013 and on January 28, 2014, expressed its generally positive opinion on the adequacy, effectiveness and efficiency of the Company's internal control and risk management system, taking into account the Company's characteristics and risk profile.

In such circumstances, with a view to the continuous improvement and enhancement of the effectiveness and efficiency of the entire system, it asked - in connection with the improvement areas identified, which were the subject-matter of specific recommendations - for the actual implementation of the corporate structure.

As far as concerns the specific considerations on the adequacy, effectiveness and efficiency of the internal audit and risk management system, please refer to the contents of paragraphs 11.1 and 11.2 hereof.

#### **MAIN CHARACTERISTICS OF EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL DISCLOSURE PROCESS**

As to the financial disclosure – which is an integral part of the internal audit system - the activities are managed by a corporate organization structure specifically devoted thereto, operating as a unit providing support to the Manager in charge of drawing up corporate accounting documents.

The financial disclosure risk management system is an integral part of the internal control system implemented by the Company because it is a fundamental part of the corporate processes aimed at ensuring the reliability, accuracy, trustworthiness and timeliness of economic-financial disclosure.

The Company's approach, based on the reference best practice and, in particular, on the Co.S.O. Framework, is the result of a corporate audit environment drawing a particular attention to the definition of the main corporate governance instruments. In fact, the risk management system and, more in general, the internal control system, provides for the official adoption of appropriate administrative-accounting procedures, the definition of roles and relevant responsibilities, through an organization chart and the relevant attribution of powers, as well as the definition of internal regulations and behavioural codes.

In particular, the definition of processes and of the relevant controls result from the constant identification and analysis of those inbound and outbound factors which may be detrimental to the achievement of corporate objectives, in order to determine how such risks may be managed (identification, assessment, monitoring), and to ensure that financial information is correctly worked out.

To such purpose, operational/line controls (i.e. first level controls), hierarchical-functional controls, controls over the management of risks and on compliance with internal procedures and regulations and law provisions (i.e. second-level controls) and internal audit (third-level controls) have been defined. The effectiveness of the control system watching over the risks which may significantly affect the economic-financial information is assessed – in particular – through a testing activity, on the occasion of both annual and interim (half-yearly) closing of accounts, and such assessment is characterized by a top-down approach in which the involved entities, processes and relevant accounting items are identified. To such respect, a sampling of the entities is carried out on the basis of the significance of items set forth in the statement of income and in the statement of financial position of the relevant individual and consolidated financial statements. Such specific testing activity is carried out by a unit specifically devoted thereto, depending upon the Manager in charge of drawing up corporate accounting documents, and the assessment results, as well as the corrective actions recommended, if any, are submitted by said Manager to the Board of Directors for consideration.

For the sake of a comprehensive listing of the main characteristics, it should be noted that, since the enactment of Law No. 262/05, the Parent Company gave directions that annual and interim (half-yearly) accounts of its branch-offices and subsidiaries be accompanied with an attestation to be drawn up and duly signed by their legal representative and administrative managers. The attestation form replicates the form provided by Consob regulation implementing Law 272/05.

The system adopted as above is monitored and continually updated.

#### **11.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

Taking into account the provisions of Art. 7.P.3(a), (i) of the Corporate Governance Code, the Company's Board of Directors, during its meeting held on April 23, 2013, designated the Chief Executive Office, Stefano Cerri, as "the director responsible for supervising the effectiveness and efficiency of the internal control and risk management system", who shall thus fulfil the duties provided for by art. 7.C.4 of the subject-matter Code in accordance with the Company's risks management and control model and with the Board of Directors' guidelines.

More in detail, the Chief Executive Officer:

- takes care of identifying the main corporate risks, by taking into account the activities carried out by the issuers and by its subsidiaries, and periodically submits the same to the Board of Directors for examination;
- causes the Board of Directors' guidelines to be implemented, thus conceiving, implementing and managing the internal audit system, and constantly checking its global adequacy, effectiveness and efficiency;
- takes care of adjusting such system according to the operational conditions and to the provisions of applicable laws and regulations;
- may ask the internal audit department to carry out audits on specific areas of operation and on the compliance with internal procedures and regulations governing corporate operations, concurrently giving notice thereof to the Chairman of the Board of Directors, to the Chairman of the Control and Risk Committee and to the Chairman of the Board of Auditors;
- promptly reports to the Control and Risk Committee (or to the Board of Directors) on issues and problems which may have become apparent during the fulfilment of his/her duties or about which the same may have been informed, so that the Committee (or the Board of Directors) may take appropriate actions in connection therewith.

With reference to the Implementation Criterion 7.C.4(a), it is underlined that, effective from July 2010, a Corporate Risk Management Department (hereinafter also referred to as "CRM") was set up to provide the Company's Management with support in the decision-making process concerning the mitigation of risks throughout the entire corporate business cycle, in the various forms of contract (traditional contracts, general contracting initiatives, concessions and project finance initiatives) and at the various levels of the corporate organization (head-office, country, project).

The logical model of risk management adopted by the Company is a three-dimensional one, divided by nature of risk (operational, financial, strategic, compliance-related), by level (head office, country, project), and by project phase (development, construction and operation).

The development path followed by the Corporate Risk Management Department allowed to spur a risk culture and a common language, also through a well-established new method of assessment of the Group's risk, officially stated under the form of guidelines for the quantification and mitigation of the most important risk/opportunity events.

During the meeting held on January 22, 2013, the Corporate Risk Management Department provided the Risks and Audit Committee and the Board of Auditors on the progress of the activities carried out in connection with ERM objectives and on the most important corporate risks (Top Risks), identified and assessed by the Project Managers and by Country Managers as significant within the corporate business framework.

To such respect, reference is made to the contents of the sections illustrating the activities of the Risks and Audit Committee (Section 10), of the Internal Audit and Risk Management System (Section 11), of the Board of Auditors (Section 13).

During its meeting, the Company's Board of Directors, taking into account the provisions of the Corporate Governance Code for Listed Companies, made its own evaluations, by causing each director to express his/her opinion, on the Board of Directors' role and influence in checking the strategic framework and the Company's main risks, also relying on the preliminary examination activity carried out by the Risks and Audit Committee.

The Chief Executive Officer draws a particular attention to all the changes/updates in laws and regulations which may have an impact of the Company's business and, therefore, on the corporate

internal audit and risk management system. To such respect, a particular attention was drawn to the corporate and organizational evolution path in order to cause Astaldi to progressively comply with the provisions of the new Corporate Governance Code. In fact, during the Board of Directors' meeting held on April 23, 2013, the most important changes in laws and regulations resulting from the revision of the Corporate Governance Code, with particular reference to internal audit and risk management activities, have been dealt with.

During 2013, the Chief Executive Officer was provided, by the Head of the Internal Audit Department, with up-to-date information on: the audit plans and the advancement of activities relating to the internal control system, and on the adequacy of controls in terms of their suitability to cope with/mitigate the risks shared and accepted by the Top Management, by the minutes of the meetings held by the Control and Risk Committee and the Board of Auditors and the verification reports on the outcome of audit activities.

## **11.2 HEAD OF THE INTERNAL AUDIT DEPARTMENT**

In accordance with the provisions of the Corporate Governance Code (Principle 7.P.3(b)), the Internal Audit Department (hereinafter also referred to as "SIA") is managed by Dr. Fabio Accardi in his capacity as Head of the Internal Audit Department (hereinafter also referred to as "RIA"), who formerly held office as Internal Audit Officer starting from May 13, 2009, appointed by the Board of Directors, upon proposal made by the Chief Executive Officer responsible for the Internal Audit and Risk Management System, and with the Control and Risk Committee's favourable opinion.

Annually, on the occasion of the approval of the Audit Plan, the Board of Directors ensures that the SIA is provided with (internal and/or specialized external) resources appropriate to the meet the requirements of the Plan itself.

To such respect, RIA determines the financial resources necessary to fulfil its tasks, in connection with the activities to be carried out during the period.

The Head of SIA depends, from a hierarchical point of view, on the Board of Directors and, in agreement with the provisions of the above-mentioned implementation criterion:

- verifies, both on a continual basis and in connection with specific needs and in compliance with the International standards, the suitability and the effectiveness and efficiency of the internal control and risk management system through an audit plan to be approved by the Board of Directors, based on a well-organized process of analysis of and attribution of priority to the main risks;
- is not responsible for any operational area;
- has direct access to any and all information considered useful to carry out his/her task;
- draws-up periodical reports setting forth specific information on his/her activity, stating the adequacy of controls in terms of their suitability to cope with/mitigate the level of risk shared and accepted by the Top Management. The periodical reports focus on the assessment of the internal control and risk management system;
- promptly draws up reports on particularly significant events;
- forwards the above reports to the Chairman of the Board of Auditors, to the Chairman of the Control and Risk Committee, and to the Chairman of the Board of Directors, as well as to the Director responsible for the internal audit and risk management system;
- verifies, within the audit plan, the reliability of the IT systems, including accounting systems.

Moreover:

- collaborates with the Supervisory Board of Astaldi (the parent company) to update the Model of Organization, Management and Control as per D. Lgs. 231/01 and providing support to carry out monitoring and inspection activities to check compliance with the Model itself;
- upon instructions given by the Supervisory Board of ASTALDI, carries out audits to all intents and purposes of D.Lgs. 231/01;
- carries out investigations in connection with the reports of infringement of the Company's Code of Ethics, reporting to the Supervisory Body in the event the reports received envisage a breach or alleged breach of the Model of Organization as per D. Lgs. 231/01;
- holds office as Head of the Internal Audit Department of Company's subsidiaries and some relevant Affiliates, thus taking on the following responsibilities:
  1. provides the Managing Bodies and the Supervisory Boards of Groups' companies with assistance in drawing up and updating the Organization, Management and Control Models as per ex D. Lgs. 231/01;
  2. upon instructions given by the Supervisory Boards, carries out audits to all intents and purposes of D.Lgs. 231/01;
  3. taking advantage of the assistance provided by the associated companies' competent departments, carries out investigations in connection with the reports of infringement of the Company's Code of Ethics, reporting to the Supervisory Body in the event the reports received envisage a breach or alleged breach of the Model of Organization as per D. Lgs. 231/01.

The method of execution of audit activities, within the framework of SIA's activities, are described in the "Internal Audit Manual", examined and approved by the Control and Risk Committee and by the Board of Auditors, which applies to the whole Group as far as concerns the activities inherent to the Internal Audit System and is further useful for carrying out integrated activities aimed at establishing the compliance with the provisions of D.Lgs. 231/01.

During 2013 and, in particular, in the Board of Directors' meeting held on February 1, subsequently to the propaedeutical verification carried out by the Control and Risk Committee and by the Board of Auditors during its meeting held on January 22, the 2013 Audit Plan which, being drawn up by SIA, is based on a well-organized process of analysis and attribution of priority to the most important corporate risks in compliance with the provisions of the Corporate Governance Code for Listed Companies, was submitted to the Board of Directors for approval.

On such occasion, the Board of Directors:

- shared the operational methods of execution of audits and the criteria adopted for the selection of the sample of projects and processes to be audited;
- considered the Internal Audit Department's resource requirements to carry out the audits scheduled, with a focus on the international sector and taking into account a more extensive involvement of the SIA (Internal Audit Department) on the field. The foregoing, in compliance with the provisions of the Corporate Governance Code for listed companies (department's independence).

The findings of said audits were periodically reported by the Head of the Internal Audit Department to the Top Management, to the Control and Risk Committee, to the Board of Auditors and to the Supervisory Body to all intents and purposes of D.Lgs. 231/01, by minutes of the meetings held with

Control and Supervision Bodies, Audit Reports, Half-Yearly Reports to the Board of Directors focusing on the progress of activities.

With reference to the activities carried out in 2013 for updating the internal audit system, a series of projects have been completed by SIA with the support of external advisors meeting the requirements of professionalism, independence and appropriate organization. They focused on:

- a) the update of the system watching over the main risks connected with the activities in foreign countries, which is preliminary to drafting the 2013 Audit Plan;
- b) the activity of recognition of internal audit controls on the events potentially attributable to deceitful behaviours within the framework of corporate management and administrative-accounting processes (Model Process) also with reference to the impacts on the corporate IT systems supporting process transactions/operations;
- c) the update of the Model of Organization to all the intents and purposes of D.Lgs. 231/01, with reference to the offences as per art. 24-bis ("cybercrime offences") and 25-novies ("copyright offences").

The activities set forth at paragraphs b) and c) above were carried out in compliance with the provisions of implementation criterion 7.C.5.(g) of the Corporate Governance Code.

Finally, a meeting of the Control and Risk Committee was held on January 28, 2014, which was attended by the Chairman of the Board of Auditors, and during which the following topics were discussed:

- verification of the internal audit activities planned and carried out with reference to the 2013 Audit Plan;
- examination and approval of the 2014 Audit Plan proposed.

### **11.3 MODEL OF ORGANIZATION AS PER D.LGS. 231/2001**

With reference to further initiatives taken to improve the corporate governance system, it is worthy reminding that the Board of Directors of Astaldi S.p.A., and the Board of Directors of each strategically important subsidiary have already adopted a "Corporate Code of Ethics" setting forth general principles and governing, through behavioural rules, the activities of the employees and collaborators, also in connection with the relationships with the shareholders, with Public Authorities, suppliers, contractors and subcontractors.

In particular, such Code sets forth:

- the general principles and reference values which Astaldi S.p.A. and Group companies must comply with when carrying out their activities;
- the behavioural rules that the Company's representatives, executives and personnel must observe when holding relations with a series of business, entrepreneurial and financial parties;
- the manner of implementation of the Code itself within the corporate structure.

Moreover, the Board of Directors of Astaldi S.p.A., as well as the Board of Directors of each strategically important subsidiary, adopted a Model of Organization, Management and Control as per D.Lgs. No. 231/01 which, by identifying the areas and corporate activities exposed to potential risks in connection with the various offences provided for by said Decree, is aimed at protecting the Company

in the event that directors, employees and collaborators were to commit any such offence set forth in said D.Lgs. 231/01.

More specifically, the Model defines:

- The corporate risk-related activities, that is to say those activities within which, because of their nature, may be committed the offences as per D.Lgs. 231/01 and, therefore, to be analyzed and monitored;
- the protocols (i.e. the principles) watching over the risks of committing the offences as per D.Lgs. 231/01 in connection with "risk-related" activities;
- the manner in which the financial resources devoted to the prevention of offences are managed;
- the rules for the formation of the Supervisory Body and the attribution of specific tasks of supervision on the correct implementation of the Model;
- the information flows to the Supervisory Body;
- the activities of information, training, sensitization and communication at all corporate levels, on behavioural rules and procedures established;
- the responsibilities concerning the approval, supplementation, amendment and implementation of the Model, as well as the verification of its effectiveness and efficiency and of corporate practices, with the relevant periodical updates.

The main categories of offences that the Model of Organization of Astaldi S.p.A. purports to prevent are the following:

- offences against public authorities and against State property and the property of any other public authority;
- offences of handling of stolen goods and money laundering;
- offences against corporate law (including corruption between private entities) and abuse of price-sensitive information and market abuse;
- offences against the person, committed in breach of the laws and regulations in matter of occupational safety;
- cybercrime offences;
- offences of organized crime and obstruction of justice;
- offences against the environment.
- offences of employment of illegally staying third-country nationals.

The Company's "Code of Ethics" and "Model of Organization, Management and Control as per D.Lgs. No. 231/01" are constantly updated in order to harmonize the same with the laws and rules in force and with the changes occurring within the corporate organization.

To such respect, it is specified that:

during the Board of Directors' meeting held on June 27, 2013, the new wording of the two texts was approved both for the purpose of harmonization with the occurred in the law provisions included in the list of offences provided for by the Italian D.Lgs. 231/01, and consequently to a more detailed analysis carried out by the Supervisory Board on the following:

- art. 25-duodecies on the "employment of illegally staying third-country nationals";
- art. 25-ter, lett. s-bis, on the "corruption between private entities";

- art. 25, within the limits of the "offence of illegal inducement to give or promise money or other benefits";
- corporate groups and the offences committed in foreign countries.

Article 5 of the Model of Organization, governing the operation of the Supervisory Board, was amended during the Board of Directors' meeting held on November 11, 2013.

With reference to financial year 2014:

The Board of Directors' meeting held on March 28, 2014 approved both the amendment of the Model of Organization relating to cybercrime offences and copyright offences, and the budget of the Supervisory Board for financial year 2014

The Company's Code of Ethics and Model of Organization are published in the corporate e-room and in the Company's official website at the following URL:

[www.astaldi.com/governance/documents](http://www.astaldi.com/governance/documents)

In order to avoid the risks of committing any of the offences provided for by D.Lgs. No. 231/01, Astaldi S.p.A. and each of its strategically important subsidiaries, has appointed its own Supervisory Body, whose members meet the requirements of autonomy, independence and professionalism in accordance with the above laws and regulations.

As to Astaldi S.p.A., effective from June 27, 2013, the members of the Supervisory Bodies are:

Dr. Piero Spanò, holding office as Chairman of the Supervisory Board, Dr. Nicoletta Mincato, non-executive and independent member of the Board of Directors, and Dr. Marco Annoni and Dr. Giorgio Luceri as Company's external experts.

The Supervisory Body, having its own expenditure budget, has adopted a set of rules and is classed as a top staff unit reporting directly to the Chief Executive Officer the outcomes of the audits, possible critical issues which may be found, and possible remedies and improvements which, if having a particular significance, may be submitted to the Board of Directors for consideration.

The Supervisory Body avails itself of the Head of the Internal Audit Department in order to perform its activities.

During 2013, the Supervisory Body, while continuing the activity of supervision on the effectiveness and efficiency of the Model of Organization, held ten meetings and carried out the activities summarized herebelow:

- a) update of the Code of Ethics and Model of Organization of Astaldi S.p.A. in order to harmonize the same with the changes in laws and regulations and in the corporate organization which had taken place in the meantime;
- b) verification of the actual implementation of the Model by the corporate departments – following to approval of a specific plan - by means of specific audits over a sample of duly selected domestic and foreign projects and corporate processes, and by examining the results of audits

- carried out, for Internal Audit System purposes, considered as relevant in order to assess the compliance with the provisions of D.Lgs. 231/01;
- c) acknowledgement of the outcomes of the audits carried out and of corrective measures implemented in order to solve the critical issues found during the previous financial year (follow-up);
  - d) revision of the Supervisory Board's regulation and of the flow of attestations on the compliance with the provisions of D.Lgs. 231/01;
  - e) training of personnel in matter of *Decreto Legislativo* No. 231/01, this activity having been carried out directly by the Supervisory Body or entrusted by the Head of the Internal Audit Department to peripheral Italian and foreign units according to the guidelines set by the Supervisory Body itself;
  - f) fulfilment, by means of the Head of the Internal Audit Department, of inquiries as per art. 13 of the Code of Ethics in connection with alleged infringements of the Organization, Management and Control Model, also by holding meetings with the reference Department Managers in order to mutually exchange up-to-date information on the actions taken and/or to be taken;
  - g) preparation of a report on the activities carried out during 2013 and submission thereof to the Board of Directors, in accordance with the provisions of the Company's Model of Organization;
  - h) meetings held jointly with the Board of Auditors, for mutual exchange of information on control activities carried out;
  - i) meeting held with the Manager in charge of drawing up the corporate accounting documents focusing on the impact of testing activities to all intents and purposes of Law 262/05 in matter of corporate law offences;
  - j) closer analysis of offences committed in foreign countries, by focusing in particular on the issues concerning Joint Venture abroad, aimed at updating protocols and guidelines in connection with the Group's equity investments;
  - k) proposal of budget for the financial year 2014;
  - l) monitoring of the activities carried out by the Group relating to the compliance with the provisions of D.Lgs. 231/01.

With reference to the activities being carried out in 2014, during its meeting held on March 6, 2014, the Supervisory Board resolved the start-up of the project of analysis of the general setting of the Code of Ethics and of the Model of Organization adopted by the Company in 2013, taking into account the revisions made to the documents in the meanwhile, in order to check the existence of possible elements or areas of improvement with reference to both rulings in matter of entities' administrative responsibility and to the evolution having characterized the corporate organization over the years.

#### **11.4 AUDITING FIRM**

The activity of audit of the accounts of Astaldi S.p.A. is carried out by KPMG S.p.A. which was entrusted with the statutory audit of accounts for the period 2011-2019.

#### **11.5 MANAGER IN CHARGE OF DRAWING UP CORPORATE ACCOUNTING DOCUMENTS**

The office of "Manager in charge of drawing up the corporate accounting documents" has been being held by Paolo Citterio, General Manager Administration and Finance since July 31, 2007.

It is reminded that, pursuant to the Company's By-laws, the Manager in charge of drawing up the corporate accounting documents was appointed as such by the Board of Directors after hearing the Board of Auditors' previous opinion. Moreover, it is hereby reminded that, still in accordance with the

provisions of the Company's By-laws, anyone meeting the honour requirements provided for by the laws in connection with directors, and having accrued an adequate professional experience on the basis of a three-year period activity as manager of the administrative, accounting, financial or audit sector of a company listed in a regulated market or of a company carrying out the financial, insurance or banking activity or in a company whose corporate capital amounts to not less than 2 million Euros or having carried out a three-year activity as accounting auditor in any of the auditing companies registered with the special roll kept by Consob, may be appointed as Manager in charge of drawing up corporate accounting documents.

The Company further adopted an Internal Regulation setting forth in detail the functions, means and powers of the Manager in charge of drawing up corporate accounting documents, as well as his relationships with other Company's offices and bodies.

#### ***11.6 Coordination between the Offices and Departments involved in the Internal Audit and Risk Management System***

An audit system, in order to be effective, must be integrated, that is to say all of its components must be coordinated and interdependent and the system, as a whole, must be integrated within the Company's general organizational setting.

The laws and regulations and the new Corporate Governance Code consider the internal audit and risk management system as a unitary system of which risk is the dominant recurring topic and the audit system, in order to be effective, must have all of its components integrated within themselves, that is, must provide for coordination methods and flows between the various corporate offices and departments involved, on any account, in the internal audit and risk management system (Board of Directors, Manager of the internal audit and risk management system, Risks and Audit Committee, Board of Auditors, Head of the Internal Audit Department, manager in charge of drawing-up corporate accounting documents, Chief Risk Officer, and all other corporate offices and departments fulfilling specific tasks in matter of internal audit and management of risks).

To such respect, Astaldi operates in compliance with the provisions of the new Corporate Governance Code, as set forth in the foregoing sections of the Corporate Governance Report.

In particular, it is underlined as follows:

- the coordination of the activities carried out by the Internal Audit Department and the Corporate Risk Management Department, taking into account the modern concept of audit, is focused on the notion of corporate risks, on their detection, assessment and monitoring.
- with specific reference to financial reporting, the coordination of the activities carried out by the Internal Audit Department and the operational structure providing support to the Manager in charge of drawing up corporate accounting documents;
- the coordination between SIA's activities and second-level departments and office as far as concerns the specific risks monitored by the same (by way of example, safety and environment).

More in general, as far as concerns the coordination of all the entities involved in the internal audit and risk management system: Risks and Audit Committee, Board of Auditors, Supervisory Body, Director responsible for the Internal Audit and Risk Management System, Head of the Internal Audit Department, reference is made to paragraphs 10., 11.1, 11.2, 11.3, 14.

## **12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

It is hereby reminded that the Board of Directors, during its meeting held on November 10, 2010, in agreement with the provisions of Consob Regulation in matter of procedures governing the

"transactions with related parties", approved by Consob resolution no: 17221 of March 12, 2010, and subsequently amended by resolution dated June 23, 2010, approved, by the favourable vote expressed by the committee of independent directors set up for this purpose, the new internal corporate procedures for the identification, approval and implementation of transactions with related parties carried out by Astaldi S.p.A. on a direct basis or through its subsidiaries.

By virtue of such approval and in compliance with said laws and regulations, the Company set up a Related Parties Committee formed of the following independent directors:

- |                            |                      |
|----------------------------|----------------------|
| ▪ Eugenio Pinto (Chairman) | independent director |
| ▪ Paolo Cuccia             | independent director |
| ▪ Giorgio Cirila           | independent director |

In short, such procedures:

1) designate transactions of "lesser" and "greater" importance.

As to transactions of "*lesser*" importance, such procedures provide that:

- (i) an information *ex ante* be promptly given to the corporate body having competence to resolve thereon and to said Committee, so that the latter may express its own opinion.
- (ii) said Committee may avail itself of independent experts to be selected by the same;
- (iii) a well-grounded non-binding opinion, to be expressed by the Related Parties Committee, is required;
- (iv) the competence to resolve thereupon falls within the sphere of competence of the Board of Directors or the Chief Executive Office within the powers conferred upon the latter, on an alternative basis;

While, as far as concerns the transactions of "*greater*" importance, such procedures provide that:

- (i) said Related Parties Committee's binding opinion is required;
- (ii) a reservation of competence to resolve thereon be attributed to the Board of Directors;

- 2) set forth the methods for examination and approval of transactions with related parties, as well as the formation and rules of operation of the "Related Parties Committee" which, consistently with Consob's decisions, is formed exclusively of independent directors both in the event of transactions of "lesser" and "greater" importance.
- 3) establish the methods and timing according to which said Committee, as well as the management and control bodies, are provided with the information on transactions before the relevant resolution, and during and after implementation of such transactions;
- 4) set the rules governing the cases in which the Company examines and approves transactions with Italian or foreign subsidiaries;
- 5) designate the cases of "default exemption" from the rules and the cases of "optional exemption".

It is understood that the Company shall describe in detail all said transactions in the Directors' Report. Closer details on this matter are set forth in the "Procedures governing the transactions with related parties" published in the Company's website ("*Governance/Documents*" menu).

\* \* \* \* \*

In relation to the specific case in which a Director has interests on his/her own account or on the account of third parties, it is specified that the Company's Board of Directors shall adopt, from time to time and in compliance with the laws and regulations in force, the operational solutions it may consider

as more appropriate (such as, by way of example, such director shall be prevented from voting or asked to temporarily leave the meeting at the time when resolution is taken)

### 13. APPOINTMENT OF AUDITORS

The Company By-Laws provide for the list vote mechanism in order to guarantee the presence of representatives of minority shareholders in the Board of Auditors.

As expressly set forth by the By-laws, the lists must be filed at the Company's registered office, according to the terms and manner provided for by applicable laws and regulations, jointly with the documents required by the laws and the Company's By-laws.

Only shareholders globally holding, individually or collectively with the other shareholders, a number of shares representing at **least 1%** (or the lowest percentage provided for by the provisions of applicable laws and regulations) **of the company's share capital** with voting right in shareholders' ordinary meetings, are entitled to file lists.

The members of the Board of Auditors are elected as follows.

- two standing and two alternate auditors are drawn, in the progressive number in which they are listed in the corresponding sections of the list, from the list that has obtained the higher number of votes cast by the shareholders attending the meeting.
- the remaining standing member, who shall also be appointed as Chairman of the Board of Auditors, and the other alternate member are drawn from the list that ranked second in number of votes, among the lists submitted and voted by the shareholders holding no relationship of affiliation with the reference shareholders in compliance with the laws and regulations in force, on the basis of the progressive number with which they were listed in the corresponding sections of the list.

In the event two or more lists filed by minority shareholders have obtained the same number of votes, the candidates senior in age among those appearing under number one in the corresponding sections of the lists obtaining an equal number of votes are appointed as Standing Auditor and Alternate Auditor.

In the event only one list is submitted, all the standing and alternate auditors are drawn therefrom, to be elected according to the order in which they are listed. Also in this case, the title of Chairman of the Board of Auditors is attributed to the person registered as first in the list.

In order to ensure the balance between genders, art. 25 of the Company's By-laws provide that each list containing three or more candidates shall include a number of candidates who, meeting the requirements provided for by the laws and the By-laws, belong to the gender which is less represented within the Board of Auditors, in the proportion of **one fifth** of the candidates for members of the Board of Auditors to be appointed on the occasion of the first renewal of such auditing body taking place after August 12, 2012, and **one third** of the candidates for members of the Board of Auditors to be appointed for the two terms of office subsequent thereto.

In order to ensure, with a view to substantial equality, the balance between genders as far as concerns the access to corporate offices, one fifth of the standing members of the Board of Auditors to be appointed on the occasion of the first renewal of such auditing body having taken place on April 24, 2012, belongs to the gender which is less represented within the Board of Auditors.

In the event an Auditor falls from office, for any reason whatsoever, the same is replaced by the first alternate auditor elected in the same list, by previously verifying fulfilment of the laws and By-laws requirements. However, in the event the termination, for any reason whatsoever, of any standing Auditor occurs after the first renewal of the auditing body taking place after August 12, 2012, or during the two terms of office subsequent thereto, replacement shall take place by taking into account the balance between genders within the Board of Auditors in accordance with the provisions of article 25 of the Company's By-laws.

In the event the Standing auditor drawn from the list which ranked second in number of vote falls from office and can not be replaced, for any reason whatsoever, by the alternate auditor appointed from that same list, the same shall be replaced – by previously verifying fulfilment of the laws and By-laws requirements – by the candidate registered immediately thereafter within that same list or, in default, by the candidate registered as first in the list which ranked second in number of votes among the lists filed by minority shareholders. However, in the event the termination, for any reason whatsoever, of the Standing Auditor drawn from the list which ranked second in number of votes occurs after the first renewal of the auditing body taking place after August 12, 2012, or during the two terms of office subsequent thereto, replacement shall take place by taking into account the balance between genders within the Board of Auditors in accordance with the provisions of article 25 of the Company's By-laws.

For closer details on other aspects connected with the appointment and replacement of the members of the Board of Auditors please refer to art. 25 of the By-laws of Astaldi S.p.A. published in the Company's website ("Governance/Documents" menu).

#### **14. COMPOSITION AND OPERATION OF THE BOARD OF AUDITORS (as per art. 123-bis, paragraph 2(d) of T.U.F.)**

The Board of Auditors presently holding office for the three-year period 2012/2014, the composition of which is described in closer detail in Table 4 attached hereto, was appointed during the **Shareholders' Meeting held on April 24, 2012**.

It is underlined that, on such occasion, **2 lists** were filed, in accordance with the provisions of the By-laws and of art. 148 of T.U.F..

**The first one** was filed by the shareholder FIN.AST. S.r.l., proposing Dr. Lelio Fornabaio and Dr. Ermanno La Marca as candidates for Standing Auditors, and Dr. Giulia De Martino and Dr. Francesco Follina as candidates for Alternate Auditors.

**The second** list was filed by the shareholders Allianz Global Investors Italia SGR S.p.A., ANIMA SGR S.p.A., AZ Fund Management S.A., Ersel Asset Management SGR S.p.A., Eurizon Capital SGR S.p.A., Pioneer Asset Management S.A., Pioneer Investment Management SGR S.p.A., Eurizon Capital SA, ARCA SGR S.p.A., JP Morgan Asset Management LTD, who proposed Dr. Daria Beatrice Langosco Di Langosco as candidate for Standing Auditor and Dr. Andrea Lorenzatti as candidate for Alternate Auditor.

At the end of the voting process, the first list obtained the favourable vote of 2 (two) shareholders globally holding 51,618,462 (fifty-one millions six hundred eighteen thousand four hundred sixty-two) shares corresponding to 75.06% of the share capital attending the Shareholders' Meeting, and the second list obtained the favourable vote of 114 (one hundred fourteen) shareholders globally holding

14,928,888 (fourteen millions nine hundred twenty-eight thousand eight hundred eighty-eight) shares, corresponding to 21.70% of the share capital attending the Shareholders' Meeting.

\* \* \* \* \*

During its meeting held on March 5, 2014, **the Board of Auditors, pursuant to the Implementation Criterion 8.C.1 of the Corporate Governance Code, deemed that independence requirements are (still) met by its members, such assessment having been carried out by application** of all the criteria provided for by the subject-matter Code in matter of independence of Directors.

As to the composition of the Board of Auditors presently in office, please refer to Table 3. All the Auditors meet the personal and professional requirements as provided for by art. 144-decies of the Issuers' Regulation and the By-laws of Astaldi S.p.A. (art. 25).

The Chairman called for meetings to be jointly attended by Directors, Auditors and some Company's executives, aimed at better explaining the evolution of the corporate business and providing them with a closer knowledge of the Company's Business Plan.

Moreover, the Company complies with the principles of the Corporate Governance Code according to which the auditor who, on his/her own account or on the account of third parties, has an interests in any of the transactions carried out by the Company, shall promptly give comprehensive notice thereof to the other Auditors and to the Chairman of the Board of Directors, setting forth in detail the nature, origin and scope of his/her interests (Implementation Criterion 8.C.3).

The Board of Auditors carries out supervision activities in matter of audit of accounts in compliance with the provisions of D.Lgs. 39/2010 and in agreement with Communication No. 18916 by Borsa Italiana S.p.A..

Moreover, the Board of Auditors supervises the independence of the auditing firm, thus verifying both compliance with the laws and regulations governing the matter, and the nature and the scope of services, other than the audit of accounts, rendered to the Company and its subsidiaries by said auditing firm and the entities belonging to its group.

\* \* \* \* \*

The Board of Auditors, while carrying out its activities, avails itself of the collaboration of the Head of the Internal Audit Department, according to the deadlines set by the laws and regulations and the internal deadlines set on the basis of meetings scheduled during the financial year of reference.

Nine meetings of the Board of Auditors were held during 2013 and, more precisely: on the 14<sup>th</sup> of January, on the 13<sup>th</sup>, 26<sup>th</sup> and 29<sup>th</sup> of March, on the 19<sup>th</sup> and 20<sup>th</sup> of June, on the 31<sup>st</sup> of July, on the 9<sup>th</sup> of October (twice). More particularly, on October 9, after the Board of Auditors' meeting, a meeting was held jointly with the Supervisory Board. The meeting held on March 26, was attended by the Chairman of the Board of Auditors of Astaldi Concessioni S.p.A. in compliance with the provisions of art. 151(2) of T.U.F..

The meetings of the Board of Auditors are coordinated by the Chairman and they have been attended by the majority of the Auditors. The average duration of such meetings is of approximately two hours.

As a general rule, Board of Auditors' meetings are held according to the deadlines provided for by the law and, as far as concerns 2014, the Board of Auditors has already held two meetings, on the 8<sup>th</sup> of January and on the 5<sup>th</sup> of March, respectively.

Moreover, the Board of Auditors acted in coordination with the Risks and Audit Committee, constantly exchanging information with the latter, by causing the Chairman of the Board of Auditors to attend the meetings of said Committee (Implementation Criteria 8.C.5).

## 15. RELATIONS WITH SHAREHOLDERS

The Company, also considering its admission to the listing on the STAR segment of the Telematic Stock Market, appointed, since 2002, Alessandra Onorati as **Head of Investor Relations** ("Investor Relator"), who is also responsible for the relevant corporate structure.

Moreover, in order to promote dialogue with the shareholders and the market, the Company regularly makes available on its website, all information of both an accounting nature (financial statements, half-yearly and interim reports) and of general interest to shareholders (such as, for example, press releases, the corporate Code of Ethics, the Model of Organization, Management and Control as per D.Lgs. No. 231/01, Directors' Reports on the topics of Shareholders' Meetings agenda, etc.).

## 16. SHAREHOLDERS' MEETINGS (as per art. 123-bis, paragraph 2(c) of T.U.F.)

Pursuant to art. 10 of the By-laws presently in force, Shareholders' Meetings shall be called by the Board of Directors by notice to be published according to the terms and manner provided for by the law.

The Company's By-laws further provide that the same notice may also set forth a different date for second call meeting, should the first call meeting be unattended; in the case of Shareholders' Extraordinary Meetings, that same notice may also set forth the date for the third call meeting.

The Shareholders' Meeting is competent for fulfilling the tasks as per Section 2364 of the Italian civil code; moreover, in accordance with the provisions of art. 2365, second paragraph, of the Italian civil code, art. 22 of the By-laws expressly attributed to the Board of Directors the competence to resolve upon the following:

- (i) merger and splitting, in the events provided for by sections 2505 and 2505-bis, Italian civil code, in the terms and manner provided for therein;
- (ii) setting up and closing down of secondary offices, also abroad;
- (iii) designation of the directors having the power to represent the Company;
- (iv) decrease the share capital in the event a shareholder withdraws;
- (v) harmonization of the Company's By-laws with law provisions;
- (vi) relocation of the registered office within the national territory.

With reference to the Shareholders' rights and, more particularly, their entitlement to attend Shareholders' meetings, the By-laws presently in force, in accordance with the provisions of section 2370, first paragraph of the Italian civil code, and art. 83-sexies of T.U.F., expressly provide that *"Shareholders' meetings may be attended by those who are entitled to vote in accordance with the appropriate attestations issued and forwarded by the brokers pursuant to the law"*.

Moreover, the Company, pursuant to art. 135-novies, paragraph 5, of T.U.F. and art. 12 of the Company's By-laws, makes available to the shareholders a specific section of its Internet website through which they may electronically deliver the proxies with power to vote, by using the form of proxy made available therein ("*Governance/Shareholders' Meeting*" menu).

At present, the Company's By-laws do not provide, in connection with Shareholders' Meetings, for any procedure for casting votes by electronic means or any audiovisual connection.

\* \* \* \* \*

According to the provisions contained in Art. 13 of the Company By-Laws – according to which “the operation of the Shareholders' Meeting, both ordinary and extraordinary, is governed by a regulation approved by the Shareholders' Ordinary Meeting and valid for all subsequent ones, until amended or replaced” – the Shareholders' Ordinary Meeting of March 11, 2002 approved the “**Shareholders' Meeting Regulation**”, subsequently updated by resolution of November 5, 2010, which sets clear and univocal rules for orderly and functionally holding Shareholders' Meetings, without being, at the same time, prejudicial to each Shareholder's right to express his/her own opinion and to formulate requests for closer detail and explanations regarding the topics of the agenda.

In fact, in relation to the above, the Shareholders' Regulation provides that the those entitled to cast votes, may ask to speak in connection with the topics of the agenda, in order to make remarks and proposals or to ask for additional information, until the Chairman of the Meeting closes the discussion of such topic. The Chairman of the Shareholders' Meeting, or those providing the same with assistance, shall answer the relevant questions, and the Shareholders' Meeting Regulation provides that those who asked to speak may concisely reply thereto.

\* \* \* \* \*

It is underlined that the Board of Directors, in order to ensure that the shareholders are given proper information so as to take part, with full knowledge, in the resolutions to be taken by the Shareholders' Meeting, makes available to the Shareholders all the documents and reports relating to the topics of the agenda, by forwarding such documents to Borsa Italiana S.p.A. and by publishing the same in its own Internet website.

## **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

**(as per art. 123-bis, paragraph 2(a) of T.U.F.)**

No corporate governance practice is provided for in addition to those already described above.

## **18. CHANGES OCCURRED SUBSEQUENTLY TO CLOSING OF REFERENCE FINANCIAL YEAR**

No change in Company's corporate governance structure occurred since closing of the financial year.

Rome, this 28<sup>th</sup> of March, 2014

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

# ***SUMMARY TABLES***

**TABLE 1: INFORMATION ON SHAREHOLDING STRUCTURE**

| <b>SHARE CAPITAL STRUCTURE as at December 31, 2013</b> |                  |                    |                                       |                        |
|--|------------------|--------------------|---------------------------------------|------------------------|
|  | Number of shares | % of share capital | Listed (mention markets) / Not listed | Rights and Obligations |
| Common shares  | 98,424,900       | 100%               | MTA - STAR                            | -                      |
| Shares with limited voting rights                      | -                | -                  | -                                     | -                      |
| Shares without voting rights                           | -                | -                  | -                                     | -                      |

| <b>OTHER FINANCIAL INSTRUMENTS<br/>(conferring the right to subscribe newly issued shares)</b> |                  |   |  |   |
|--|------------------|---|--|---|
|  | Listing Market   | Number of outstanding convertible notes | Class of shares allocated for conversion | Number of shares allocated for conversion |
| Convertible notes  | Luxembourg - MTF | 130,000                                 | Common                                   | 17,568,517                                |
| Warrants   | -                | -                                       | -  | -   |

**TABLE 2: BOARD OF DIRECTORS' AND COMMITTEES' STRUCTURE AS AT DECEMBER 31, 2013**

| Board of Directors in office as at December 31, 2013 |                     |  |            |           |                              |   |   |                           |                           | Risks and Audit Committee |                           | Remuneration Committee |      | Appointments Committee |
|--|---------------------|--|------------|-----------|------------------------------|---|---|---------------------------|---------------------------|---------------------------|---------------------------|------------------------|------|------------------------|
| Office   | Members             | in office from until   | List (M/m) | Executive | Non executive                | Independent pursuant to the Corporate Governance Code | Independent pursuant to the T.U.F. (Italian Financial Services Act) | % ****                    | Number of other positions | ***                       | ****                      | ***                    | **** | ***                    |
| Chairman   | Paolo Astaldi       | Board of Directors appointed by the Shareholders' Meeting of April 23, 2013 for financial years 2013/2015<br>Therefore, the Board of Directors' term of office expires upon approval of the Company's financial statements as at December 31, 2015 | M          | x         |                              |   |   | 100%                      | 1                         |                           |                           |                        |      |                        |
| Deputy Chairman                                      | Ernesto Monti       |  | M          |           | x                            |   | x   | 100%                      | -                         |                           |                           | x                      | 100% | x                      |
| Deputy Chairman                                      | Giuseppe Cafiero    |  | M          | x         |                              |   |   | 100%                      | -                         |                           |                           |                        |      |                        |
| CEO  | Stefano Cerri       |  | M          | x         |                              |   |   | 100%                      | 2                         |                           |                           |                        |      |                        |
| Director   | Caterina Astaldi    |  | M          |           | x                            |   |   | 67%                       | 1                         |                           |                           |                        |      |                        |
| Director   | Luigi G. Cavalchini |  | M          |           | x                            |   |   | 92%                       | 1                         | x                         | 84%                       |                        |      |                        |
| Director   | Giorgio Cirila      |  | M          |           | x                            | x   | x   | 100%                      | 1                         |                           |                           | x                      | 100% |                        |
| Director   | Paolo Cuccia        |  | M          |           | x                            | x   | x   | 84%                       | -                         |                           |                           |                        |      |                        |
| Director   |                     |  | m          |           | x                            | x   | x   | 100%                      | -                         | x                         | 100%                      |                        |      |                        |
| Director   | Chiara Mancini      |  | M          |           | x                            | x   | x   | 100%                      | -                         |                           |                           |                        |      |                        |
| Director   | Nicoletta Mincato   |  | M          |           | x                            | x   | x   | 100%                      | -                         | x                         | 100%                      |                        |      |                        |
| Director   | Mario Lupo          |  | M          |           | x                            | x   | x   | 84%                       | -                         |                           |                           |                        |      | x                      |
| Director   | Eugenio Pinto       |  | M          |           | x                            | x   | x   | 92%                       | 3                         | x                         | 84%                       | x                      | 100% | x                      |
| Quorum required for filing lists: 2,5%               |                     |  |            |           |                              |   |   |                           |                           |                           |                           |                        |      |                        |
| Number of meetings held during the period            |                     |  | BoD: 12    |           | Risks and Audit Committee: 6 |   |   | Remuneration Committee: 6 |                           |                           | Appointments Committee: 0 |                        |      |                        |

**NOTES**

\* In this column, M/m is shown depending on whether the member was appointed from the list having obtained the majority (M) or a minority (m) vote.

\*\* This column shows the number of positions as director or auditor held by the individual concerned in other companies listed on regulated markets, in Italy or abroad, in finance, banking and insurance companies as well as other large-size companies. The subject-matter positions are shown in Table 3.

\*\*\* The "X" mark means that the Director is a member of the Committee.

\*\*\* This column shows the percentage of each of the directors' attendance at BoD's and Committee's meetings held in 2012. It should be noted that the percentage shown refers to the number of meetings each director or committee member has attended since the date of his/her appointment.

**TABLE 3: NUMBER OF POSITIONS AS DIRECTOR OR AUDITOR HELD BY EACH DIRECTOR IN OTHER COMPANIES LISTED ON REGULATED MARKETS, IN ITALY OR ABROAD, IN FINANCE, BANKING AND INSURANCE COMPANIES OR OTHER LARGE-SIZE COMPANIES AS AT DECEMBER 31, 2013:**

| Name and Surname           | Other offices held pursuant to Article 1.3 of the Corporate Governance Code   |
|----------------------------|---|
| Paolo Astaldi              | Chief Executive Officer of Fin.Ast S.r.l.   |
| Ernesto Monti              | not any one   |
| Giuseppe Cafiero           | not any one   |
| Stefano Cerri              | <b>Director of A4 Holding S.p.A.</b> and of Società delle AUTOSTRADE Serenissima S.p.A.                                 |
| Caterina Astaldi           | Director of Fin.Ast. S.r.l.   |
| Luigi Guidobono Cavalchini | Director of Reale Mutua Assicurazioni   |
| Giorgio Ciria              | Director of IMMSI S.p.A.  |
| Paolo Cuccia               | not any one   |
| Mario Lupo                 | not any one   |
| Guido Guzzetti             | not any one   |
| Chiara Mancini             | not any one   |
| Nicoletta Mincato          | not any one   |
| Eugenio Pinto              | Chairman of the Board of Auditors of Stogit S.p.A. and Snam Rete Gas S.p.A.;<br>Standing Auditor of Finmeccanica S.p.A. |

**TABLE 4: BOARD OF AUDITORS STRUCTURE AS AT DECEMBER 31, 2013**

| Office   | Members                             | in office from until  | List     | Independence pursuant to the Code | Percentage of attendance at Board of Auditors meetings | Number of other positions |
|--|-------------------------------------|---|----------|-----------------------------------|--|---------------------------|
| Chairman   | Daria Beatrice Langosco di Langosco | Board of Auditors appointed by the Shareholders' Meeting of April 24, 2012 for financial years 2012/2014, holding office until approval of the Company's financial statements as at December 31, 2014 | minority | x                                 | 100%   | 1                         |
| Standing Auditor   | Lelio Fornabaio                     |   | majority | x                                 | 100%   | 16                        |
| Standing Auditor   | Ermanno La Marca                    |   | majority | x                                 | 100%   | 1                         |
| Alternate Auditor  | Andrea Lorenzatti                   |   | minority | x                                 | 100%   | 0                         |
| Alternate Auditor  | Giulia De Martino                   |   | majority | x                                 | 100%   | 7                         |
| Alternate Auditor  | Francesco Follina                   |   | majority | x                                 | 100%   | 14                        |
|  |                                     |   |          |                                   |  |                           |
| Number of meetings held in 2013: 9   |                                     |   |          |                                   |  |                           |
| Quorum required for filing lists by minorities for the election of one or more standing auditors (pursuant to Art. 148 of the Italian Financial Services Act). In accordance with the Company's By-laws, only shareholders who individually or collectively with other shareholders represent at least 1% of the share capital are entitled to file lists. |                                     |   |          |                                   |  |                           |

**NOTES**

\* This column shows the number of offices as director or auditor held by the concerned individual considered as significant to all intents and purposes of art. 148 bis of TUF.. The full list of positions held is published by Consob in its own Internet website pursuant to art. 144-quinquiesdecies of the Issuers' Regulations issued by Consob.