



# **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: **2012**

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<sup>1</sup> *Translator's note: Consolidated Act on Finance (the Italian Financial Services Act)*

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## **WHEREAS**

It is underlined that this Report was drawn up in compliance with the provisions of art. 123-bis of T.U.F. taking into account the recommendations of the Self-Governance Code approved by the Corporate Governance Committee in December 2011, effective from the financial years started in 2012, and in accordance with the guidelines issued by Borsa Italiana S.p.A. in February 2013.

To such respect, the Company has implemented the principles and criteria connected with its corporate governance as illustrated by appropriate information to the market set forth in this "Corporate Governance and Shareholder Structure Report".

## **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 "Self-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 2012, is described herebelow.

## **2. INFORMATION on SHAREHOLDING STRUCTURE (as per art. 123-bis of T.U.F.)**

### **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**.

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

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

On January 23, 2013, the Company's Board of Directors resolved to issue equity-linked bonds reserved to Italian and foreign qualified investors, the Company being entitled to reimburse the principal amount by Astaldi S.p.A. shares only after the Shareholders' extraordinary meeting to be held on April 24, 2013 approves a share capital increase without any right of option as per section 2441(5) of the Italian Civil Code, supporting the repayment of the bonds issued. Following approval by the Company's Shareholders as set forth above, the bond holders shall be attributed the right to apply for possible conversion of the bonds into Company's newly and/or already issued common shares.

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%
Pictet Asset Management Ltd	<i>Pictet Asset Management Ltd</i>	2.065.633	2,099%
<b>TOTAL</b>		<b>58.727.980</b>	<b>59,668%</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 bonds, 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 bonds and to vote in favour of the share capital increase connected therewith, to be included in the agenda of the meeting of the shareholders of Astaldi S.p.A. to be 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 not been vested with any power to increase the Company's share capital, and is not authorized to issue participating financial instruments.

On April 24, 2012, 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, 2012 and expiring on Friday the 24<sup>th</sup> of May, 2013, 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, 2012, 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, without any time limit, to dispose of treasury shares also by securities exchange transactions carried out within the framework of possible strategic transactions in the Company's interests, among which, in particular, securities exchange and/or contribution transactions, provided that the value attributed to the shares within the framework of such transactions is not lower than the average book value of Company's 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 implementation of said resolution, the Company held 608,187 treasury shares as at December 31, 2012.

#### **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);

- 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 "**Self-Governance Code for listed companies**", drawn up by Borsa Italiana S.p.A.

It is reminded that the subject-matter Code is made publicly 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 minimum 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.

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 shareholder' 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, as per the foregoing article, 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 shareholder' 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, after proper consideration, did not deem advisable to adopt any plan in matter of succession of executive directors.

### **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, 2010 for the three-year period 2010/2012 and its term of office expires upon approval of the financial statements for the year ending December 31, 2012.

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 one sole list filed by the shareholder Fin.Ast. S.r.l..

The candidates of said list were appointed by the favourable vote of 95.408% of the share capital attending the meeting. While, instead, no minority list was filed, under the provisions of art. 147-ter, paragraph 3 of T.U.F. and the Company's By-laws.

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

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

During next Shareholders' Meeting, to be held on April 24, 2013, the Company's Board of Directors shall be renewed and proper resolutions to such respect shall be taken.

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

**To this respect, it is underlined that the Company's Board of Directors established the general criteria adopted by the Company relating to the maximum cumulative 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 Self-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, as provided for by art. 2.C.2 of the Self-Governance Code.

#### **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, **6 meetings** of the Board of Directors, of an **average duration** of approximately 2 hours each, were held in 2012, 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 2013, 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 "2013 Corporate Calendar"), as set forth below and made available in the corporate website (Governance/Financial Calendar" section).

DATE	CORPORATE EVENT	TOPIC
<b>13-Mar-2013</b>	<b>Board of Directors</b>	Approval of the 2012 <b>Draft Individual and Consolidated Financial Statements</b>
<b>23-Apr-2013</b>	<b>Shareholders' Meeting</b>	Approval of 2012 <b>financial statements</b>
<b>14-May-2013</b>	<b>Board of Directors</b>	Approval of 2013 First Quarter Results
<b>2-Aug-2013</b>	<b>Board of Directors</b>	Approval of <b>Half-yearly Report</b> as at June 30, 2013
<b>13-Nov-2013</b>	<b>Board of Directors</b>	Approval of 2013 Third Quarter Results

Moreover, during 2013, meetings of the Company's Board of Directors were held on the following dates: January 23, 2013, February 1, 2013 and February 21, 2013. 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 distributed by the Board of Directors' Secretary, upon mandate given by the Board of Directors' Chairman, to the Directors (in electronic format) prior to the Board meeting, in order to ensure a complete and correct evaluation of the topics brought to the Board of Directors' attention.

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 Self-Governance Code for Listed Companies.

\* \* \* \* \*

In particular, in compliance with Implementation Criterion 1.C.1 of the Self-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 Self-Governance Code**, on the occasion of the meetings held during 2012, 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 Self-Governance Code, the Board of Directors was entrusted 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 and determined the general criteria to be adopted for the identification of significant transactions.

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

*The Board of Directors, in compliance with Implementation Criterion 1.C.1(g) of the Self-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, during the Meeting of the Board of Directors held on August 1, 2012, a proper questionnaire, worked out by the Legal Affairs and Corporate Governance Department and shared with the Board of Auditors, was distributed to the Directors, by which each Directors could express his/her own considerations on the following 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;*
- *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 13, 2012, 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 targets in matter of operations and results.*

*Shareholders are given information about the outcome of such evaluation by the public of this Report. To such respect, it is underlined that the professional who will be appointed as Members of the Company's Board of Directors, in view of the forthcoming renewal, have been selected by taking into account the professional characteristics of each one of them, which are considered to be in agreement with the activity carried out by the Company, as set forth in the above-mentioned Board Performance Review.*

With reference to **Implementation Criterion 1.C.4 of the Self-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, 2010, 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. 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 Self-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 Self-Governance Code**, deemed that **independence requirements** are met by the Directors Giorgio Cirila, Paolo Cuccia, Mario Lupo, Eugenio Pinto and Maurizio Poloni. Such evaluation was made by taking into account independence parameters set forth in the Self-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, 2010 (please refer to the proper press release made available in the Company's website "Media Center/Press Release" section).

Still pursuant to **Implementation Criterion 3.C.4 of the Self-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 2012, 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, presentations and other initiatives aimed at 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 Self-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 Self-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 identifies within the Company the timing and methods for transmitting and diffusing such information and the involvement of the divisions concerned from time to time, providing that the resources closer to the source of 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.

Moreover, the involvement of an Assessment Committee specifically set up to this purpose is provided for (formed of the Managers of the Legal Affairs and Corporate Governance Department, the Investor Relations and the Directorate concerned), in order to provide, on the basis of an attentive examination of the fact, proper assistance in the correct interpretation 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 a Remuneration Committee, a Risks and Audit Committee and a Related Parties Committee.

## **7. APPOINTMENTS COMMITTEE**

The Board of Directors presently in office deemed not to set up any Committee for the appointment of Directors since, at this time, there is not any difficulty in identifying candidacies for the appointment of corporate bodies.

## **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
Maurizio Poloni	Non-executive/Independent

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

During 2012, the Remuneration Committee held 2 meetings, of an average duration of 1 hour, attended by all the members of the Committee.

The Committee, depending on the topics discussed, invited non-members of the Committee, among which, 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.

Moreover, following to renewal of the Company's Board of Directors for the three-year period 2013/2015, also the Remuneration Committee shall be renewed. The Chairman of such Committee shall meet the independence requirements provided for by Principle 6.P.3 of the Self-Governance Code.

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 Self-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 2 meetings held in 2012, all evidenced by valid minutes, the subject-matter Committee provided opinions and made proposals, particularly in connection with the following:

- validating the achievement of the parameters required for 2011 stock grant vesting;
- defining the Top Management's reward system;
- defining the parameters upon the achievement of which 2012 stock grant vests.

Said meetings of the Remuneration Committee were attended by the Chairman of the Company, Paolo Astaldi, while the Deputy Chairman, Giuseppe Cafiero, attended only one of them.

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 Dept. Manager's assistance.

## 9. REMUNERATION OF DIRECTORS

### General Remuneration Policy

The Board of Directors shall approve, 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 2013 general remuneration policy.

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

### Share-based Remuneration Plans

The Shareholders' Meeting of November 5, 2010 approved the guidelines of the **Company's "Stock Grant Plan" for the three-year period 2010/2012**, as previously worked out by the Board of Directors during its meeting held on August 3, 2010, upon the Remuneration Committee's proposal of August 2, 2010. Subsequently, the Board of Directors, during its meeting held on November 10, 2010, 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 four top managers (i.e. the Chief Executive Officer and three of the four General Managers), vesting annually during the three-year period, upon achievement of performance targets 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, 1999, as subsequently amended and supplemented" relating to the **Astaldi S.p.A. 2010/2012 Stock Grant Plan, published in the corporate website ("Governance/Documents" section).**

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, 1999, as subsequently amended and supplemented" relating to the Astaldi S.p.A. 2010/2012 Stock Grant Plan".

### Remuneration of Executive Directors

The only executive director to whom a reward plan applies is the Chief Executive Office who, as set forth above, is one of the grantees of the 2010/2012 Stock Grant Plan.

### 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 Internal Audit Officer and to the Manager in charge of drawing up the corporate accounting documents.

With reference to financial year 2012, no specific bonus scheme has been provided for the "internal audit officer" 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. RISKS AND AUDIT 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 Risks and Audit Committee, consequently to the amendments to the Self-Governance for Listed Companies having an impact on the Company's organization.

### **Formation and operation of the Risks and Audit Committee**

The Risks and Audit Committee is presently formed of 3 non-executive directors, the majority of whom are independent directors, as follows:

- Mario Lupo (Chairman) – Non-executive / Independent
- Luigi Guidobono Cavalchini – Non-executive / Non-independent
- Eugenio Pinto – Non-executive / Independent / expert in accounting and finance

The activity of the Risks and Audit Committee is coordinated by the Chairman and, during 2012, the Risks and Audit Committee held 4 (four) meetings, of an average duration of approximately 2 hours, attended by the majority of its members.

The Committee's meeting are mainly held on a quarterly basis, although, during financial year 2013, three meetings have already been held on January 19, February 22 and February 25, 2013, respectively.

The Committee meetings are always attended by the Chairman of the Board of Auditors. Some meetings of said Committee were held jointly with the Board of Auditors, in compliance with Implementation Criteria 7.C.3 of the Self-Governance Code. Such meetings are attended also by the Internal Audit Department, since the Manager of said Department acts as Secretary of the Risks and Audit Committee.

Upon the Committee's invitation – depending on the topics discussed in connection with the provisions of Implementation Criterion 7.C.2 – the meetings are 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 Risks and Audit Committee**

The Committee provides the Board of Directors with assistance in connection with the activities of direction and evaluation of the internal audit and risk management system, as set forth in closer detail in Implementation Criterion 7.C.1 of the Self-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) reports to the Board of Directors on the adequacy of the internal audit and risk management system;
- b) evaluates, jointly with both the Manager in charge of drawing up corporate accounting documents and after hearing the auditors of accounts and the Board of Auditors, the suitability of the accounting standards adopted and their homogeneity for the purposes of drafting the consolidated financial statements;
- c) upon request made by the executive director duly entrusted to this purpose, expresses its opinions preliminarily to initiatives to be taken, on specific aspects concerning the identification of main corporate risks and the structure, implementation and management of the internal audit system;
- d) examines the periodical reports focusing on the internal audit and risk management system; More in detail, with reference to the internal audit 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;
- e) monitors the autonomy, the adequacy, the effectiveness and the efficiency of the Internal Audit System;
- f) asks – if necessary – the Internal Audit Department to carry out specific audits, concurrently informing the Chairman of the Board of Auditors thereon;
- g) reports to the Board, at least on a six-month basis, on the occasion of approval of the financial statements and of the half-yearly report, on the activities carried out and the suitability of the internal audit system;
- h) carries out additional tasks as may be entrusted to the same by the Board of Directors.

During its 4 meetings held in 2012, the Committee performed audit activities and tackled a number of issues including the following which were of greatest interest:

- a) met the Board of Auditors and, with the Chief Executive Officer, assessed the consequences of the revision of the Self-Governance Code for listed companies (December 2011) on the corporate internal audit system, with specific reference to Internal Audit activities;
- b) acknowledged the results of the internal audit system analysis, carried out in 2011 with the collaboration of third-party advisors, which, while confirming the substantial adequacy of the system itself, have underlined an action plan aimed at achieving Company's compliance with the recent changes in laws and regulations as set forth under point a) above;
- c) examined and discussed the various activities performed in 2011 on the corporate internal audit system, with particular reference to the results of the audits on business and support processes – carried out on a sample of projects executed in Italy and in foreign countries and on duly selected head-office processes – and was informed about the follow-up relating to the audit activities carried out in 2010 concerning remedying actions recommended by the Management. The activities so carried out underlined the adequacy of the internal audit system which, tending to improve the effectiveness and efficiencies of audits and the consequent mitigation of the risks

to the prevention of which such audits are intended for, was considered adequate, efficient and effective as a whole;

- d) it was informed, by the Manager in charge of drawing up corporate accounting documents, to all intents and purposes of the provisions of the law No. 262/05, about the results of testing activities – also in terms of remedying measures required and/or implemented during financial year 2011 – carried out on a sample of selected projects executed in Italy and in foreign countries; The internal audit system overseeing the corporate accounting disclosure process was considered, as a whole, adequate, effective and efficient;
- e) met the auditing company in compliance with the provisions of the Implementation Criterion 7.C.2(a);
- f) it examined the action plan of the internal audit activities for financial year 2012. In particular, with reference to the audit plan, it received information about the operational methods and the criteria for the selection of the sample of projects executed in Italy and in foreign countries and of business processes to be audited, already adopted during previous financial years;
- g) it was informed about the selected projects carried out in Italy and abroad, to all intents and purposes of Law No. 262/05, in relation to financial year 2012, with reference to the annual (individual and consolidated) financial statements and received updates about the outcome of the audits carried out by the Operative Structure providing support to the Manager in charge of drawing up corporate accounting documents during the first and second half of the financial year in question;
- h) it checked the progress of the 2012 action plan in compliance with the outcome of the activity described under paragraph b) above, aimed at updating the system adopted to audit corporate processes and at drawing up an Internal Audit Manual;
- i) it was periodically informed about the progress of the 2012 audit activities and of the follow-up relating to the audits carried out in 2011;
- j) it was informed about the completion of the risk-and-control mapping activity focusing on process activities carried out in Italy and abroad which is preliminary to the 2013 Audit Plan;
- k) it was periodically informed, in relation to the impact on the corporate internal audit system, on the activities carried out in compliance with the provisions of the Italian D.Lgs. 231/01, at corporate level and at operating construction sites.

The Committee, during its meetings held on August 3 and on November 9, 2012 informed the Board of Directors about the activities carried out during the first and the second half, respectively, of 2012.

The Risks and Audit Committee's meetings held during 2012 were always attended by the Chairman of the Board of Auditors, while some of them were attended by the entire Board of Auditors.

All the meetings of the Risks and Audit Committee are evidenced by proper minutes drawn up by the Internal Audit Department and then recorded on a proper 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 2013, three meetings of the Risks and Audit Committee were held on January 22 and on February 19 and 25, respectively, which were attended by the Chairman of the Board of Auditors, and during which the following topics were discussed:

- the most important corporate risks in connection with financial year 2013, as illustrated by the CRM (Corporate Risk Management) Department;

- the proposed 2013 Audit Plan, worked out by SIA, on a well-organized process of analysis of risks, propaedeutic to approval by the Board of Directors;
- jointly with the Manager in charge of drawing up corporate accounting documents and after hearing the auditors of accounts and the Board of Auditors, an evaluation was made in compliance with the provisions of Implementation Criterion 7.C.2(a);

the internal audit activities planned and carried out during 2012 and the follow-up relating to the audits carried out in 2011 were also checked.

## 11. RISK MANAGEMENT AND INTERNAL AUDIT SYSTEM

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

An effective risk management and internal audit 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 audit 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 the operating activities;
- c) the reliability 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 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 assessing the various components of the Company's Internal Audit System and providing the Top Management with a clear outlook of how the Internal Audit System may be improved in terms of effectiveness and efficiency.

Since 2010 the Company, by setting up the new 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.

The main characters involved in the Company's risk management and internal audit system are the Board of Directors, the Risks and Audit Committee, the Chief Executive Officer in charge of the risk management and internal audit 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, the entities fulfilling assurance functions, 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 audit system guidelines defined by the same and constantly taking advantage of the assistance constantly provided by the Risks and Audit Committee in terms of advice and proposals – ascertains that the main risks affecting Astaldi S.p.A. are correctly identified, assessed, managed and monitored, for the purpose of a sound and correct management of the Company.

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 audit system, also on the basis of the reports of the activities carried out by the Risks and Audit Committee.

To such respect, the Board of Directors, during its meeting held on today's date, also on the basis of the results of the activity carried out by the Risks and Audit Committee, expressed its positive opinion on the adequacy, effectiveness and efficiency of the Company's internal audit and risk management system.

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 AUDIT 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 audit 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 audit 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 Audit and Risk Management System**

Taking into account the provisions of Art. 8.C.1 of the Self-Governance Code previously in force, the Company's Board of Directors, during its meeting held on April 23, 2010, designated the Chief Executive Office, Stefano Cerri, as "the executive director supervising the effectiveness and efficiency of the internal audit system", who shall thus fulfil the duties provided for by art. 8.C.5 of the subject-matter Code previously in force in accordance with the Company's Control Model.

Following to the recent amendment to the Self-Governance Code (December 2011), the Board of Directors, during its meeting held on August 1, 2012, acknowledged the main changes to the self-governance code which have an impact on the Company's organization. Such changes concerned, in particular, the completeness of the functions relating to the internal audit system.

To this regard, the Board of Directors unanimously shared the harmonization of the corporate organization with the provisions of the Self-Governance Code for Listed Companies, including that part of the revised code changing the definition of Executive Director supervising the effectiveness and efficiency of the internal audit system into "Director responsible for the Internal Audit and Risk Management System".

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 President of the Risks and Audit Committee and to the Chairman of the Board of Auditors;
- promptly reports to the Risks and Audit 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 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).

A Group's Enterprise Risk Management programme was launched in 2011 focusing on the main risks which may threaten the achievement of corporate performance and strategies.

With reference to the Implementation Criterion 7.C.4(e), the Chief Executive Officer, during the periodical meetings held with Company's Control and Supervisory Bodies (Risks and Audit Committee and the Board of Auditors), illustrated, also by availing himself of the Corporate Risk Management Department, the methodological approach implemented and the main results of the analysis carried out, also with reference to the risk-related areas detected during the execution of the activities.

To such respect, please refer 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 Self-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/updated 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 self-governance code (December 2011).

In fact, during a meeting jointly held by the Risks and Audit Committee and the Board of Auditors on January 18, 2012, which was attended also by the Managing Director, the most important changes in laws and regulations resulting from the revision of the Self-Governance Code, with particular reference to internal audit activities, have been dealt with.

During that same meeting, also the results of the project relating to the Analysis of the Internal Audit System aimed at assessing the Company's audit system structure, managed with the specialist

assistance provided by Ernst & Young Financial Business Advisor were illustrated, and the recommendations arising from such results were taken into account in order to harmonize the entire system with the changes in the self-governance code and the best practices.

During financial year 2012, the Chief Executive Officer was further informed, by the Manager of the Internal Audit Department, about the progress of the action plans relating to the internal audit system, by means of periodical reports drawn up by the latter on the adequacy of controls because suitable to cope with/mitigate the risks shared and accepted by the Top Management and/or verification reports on the outcome of audit activities.

## **11.2 INTERNAL AUDIT OFFICER**

In accordance with the provisions of the Self-Governance Code previously in force (Article 8.C.1), the Company's Board of Directors appointed the Internal Audit Officer, upon proposal made by the Chief Executive Officer responsible for the internal audit system and after hearing the Risks and Audit Committee's proposal.

Effective from May 13, 2009, the Company's Internal Audit Officer is Fabio Accardi, who is the Internal Audit Department Manager and depends, from a hierarchical point of view, on the Board of Directors and, from a functional point of view, on the Chief Executive Officer in charge of supervising the Company's Internal Audit System.

Following to the recent amendment to the Self-Governance Code (December 2011), the Board of Directors, during its meeting held on August 1, 2012, acknowledged the main changes to the self-governance code which have an impact on the Company's organization. Such changes concerned, in particular, the completeness of the functions relating to the internal audit and risk management system.

To this regard, the Board of Directors unanimously shared the harmonization of the corporate organization with the provisions of the Self-Governance Code for Listed Companies, including that part of the revised code changing the definition of "*Preposto al Controllo Interno*" into "*Responsabile della Funzione di Internal Audit*" (in English "Internal Audit Officer").

The Internal Audit Officer, in agreement with the provisions of Implementation Criterion 7.C.5 of the Self-Governance Code, is mainly responsible for the following:

verifying, at Group level, both on a continual basis and in connection with specific cases, the suitability and the effectiveness and efficiency of the internal audit and risk management system through an annual 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. The above, also in compliance with the principles and criteria applied in art. 7 et seq. of the Self-Governance Code for Listed Companies.

### **In particular:**

drawing-up periodical reports setting forth the adequacy of controls because suitable for coping with/mitigating the level of risk shared and accepted by the Top Management, such activity being preliminary to drawing up the Audit Plan.

supervising, within the framework of the Internal Audit System, the monitoring of the effectiveness and efficiency of corporate processes (operational audit), the analysis of compliance of operations with laws and regulations (compliance audit), the reliability of accounting and management information (financial audit); As far as the financial audit is concerned, the same interacts with the structure of the Manager in charge of drawing up the corporate accounting documents pursuant to the provisions of Law 262/05; holding relationships with internal audit bodies (Risks and Audit Committee, Board of Auditors, the Independent Auditor and the Supervisory Body as per D.Lgs. 231/01 of the Company and of its subsidiaries) reporting about the risk management method and expressing an opinion on the suitability of the internal audit and risk management system for achieving an acceptable level of global risk; drawing-up periodical reports and reports on particularly significant event, setting forth proper information on his/her own activity, to be taken as basis for an opinion on the suitability of the Internal Audit System and on the methods according to which risks are managed, as well as on the compliance with the plans conceived to mitigate the same. The reports are forwarded to the Chairman of the Board of Auditors, to the President of the Risks and Audit Committee, and to the Chairman of the Board of Directors, as well as to the Director entrusted with the internal audit and risk management system; verifying, within the annual audit plan, directly and/or indirectly, also the reliability of Information technology systems, including accounting recognition systems, thus interacting to such respect with the IT Department, the structure of the Manager in charge of drawing up corporate accounting documents and/or the independent auditor for those aspects having an impact on book-keeping, respectively; collaborating with the Supervisory Board of the Parent Company Astaldi S.p.A. to update the Organization, Management and Control Model as per D.Lgs. 231/01 and providing support to carry out monitoring and inspection activities aimed at checking compliance with the Model itself (see, to this regard, paragraph 11.3 hereof); providing support, in connection with the respective activities, acting as Internal Audit Officer, the managing body and the Supervisory Body of any Subsidiary.

The Internal Audit Officer is not responsible for any operative sector and does not depend on any manager of operational sectors. To such respect, in order to fulfil his/her duties, the same has direct access to any and all information considered useful to carry out his/her task.

Internal auditing is carried out on the basis of national and international best practices with the purpose of performing all the actions deemed advisable and necessary to control corporate processes, including direction, monitoring and assessment of critical areas and of opportunities to improve the corporate organization.

During 2012, the Board of Directors approved the Internal Audit Department's Audit Plan, after the preliminary verification carried out by the Risks and Audit Committee during the meeting held on July 6, 2012, thus sharing the operational methods of execution of audits and the criteria adopted for the selection of the sample of projects and processed to be audited. As already implemented during the previous financial years, the main business processes relating to the management of a project and a sample of projects executed in Italy and in foreign countries were selected.

Internal audit activities are carried out through the Integrated Internal Audit System conceived as an operational method for the rationalization, integration and coordination of audit and monitoring activities performed by various corporate bodies fulfilling assurance activities, on the basis of an annual audit

plan, which is shared with the Risks and Audit Committee and the Company's Top management. For closer details to such respect, please refer to paragraphs 10 and 11.3 of such report.

The findings of said audits were periodically reported by the Internal Audit Officer to the Top Management, to the Risks and Audit Committee, to the Board of Auditors and to the Supervisory Body to all intents and purposes of D.Lgs. 231/01.

With reference to the activities aimed at updating the internal audit system concerning the main risks affecting corporate and domestic processes, which are preliminary to drawing up the 2013 Audit Plan, the Internal Audit Officer availed himself of the advice services of Ernst & Young Financial Business Advisors.

During the Board of Directors' meeting held on February 1, 2013, the 2013 Audit Plan, drawn-up by the Internal Audit Department, in compliance with the provisions of the Self-Governance Code for Listed Companies, and based on a well-organized process of analysis of and attribution of priority to the main corporate risks, was submitted to the Board of Directors for approval.

On such occasion, the Board of Directors further considered the Internal Audit Department's resource requirements to carry out the audits scheduled to be carried out throughout the year 2013, with a focus on the international sector and taking into account a more extensive involvement of the SIA (Internal Audit Department) on the field in order to fulfil the requirements of the Self-Governance Code for Listed Companies (independence of the Risks and Audit function).

### **11.3 Model of Organization as per D.Lgs. 231/2001**

With reference to further actions carried out 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 the 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, within the framework of the activities governed by D.Lgs. No. 231/2001, approved the adoption of 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 Legislative Decree.

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, handling of stolen goods and money laundering;
- offences against corporate law, namely abuse of privileged information and market abuse;
- offences against the person;
- cybercrime offences;
- offences of organized crime and obstruction of justice;
- offences against the environment.

More specifically, the Model defines:

- the ethical principles relating to the behaviours connected with the specific crimes provided for by the Decree;
- 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. No. 231/01 and, therefore, to be analyzed and monitored;
- 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 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 underlined that both texts are currently being updated in view of the recent changes occurred in the law provisions included in the list of offences provided for by the Italian D.Lgs. 231/01, namely:

- art. 25-duodecies on the "employment of illegally staying third-country nationals";
- art. 25-ter, lett. s-bis, on the "corruption between private entities";
- the "offence of illegal inducement to give or promise benefits", linked to art. 25; 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/archivio\\_documenti](http://www.astaldi.com/governance/archivio_documenti)

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 a 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., the members of the Supervisory Bodies are: Mr. Maurizio Poloni, Lawyer, Non-executive / Independent member of the Board of Directors and Mr. Marco Annoni, Mr. Giorgio Luceri, Ms. Nicoletta Mincato and Prof. Vittorio Mele – the latter acting as Chairman of the Supervisory Body – as Company's external experts.

The Supervisory Body has adopted a set of rules and is classed as a top staff unit reporting directly to the executive director in charge of the internal audit and risk management system the outcomes of the audits, possible criticalities 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 Internal Audit Officer in order to perform its activities and to ensure that its resolutions relating to the corporate divisions involved are implemented.

The Supervisory Body's activities, aimed at monitoring the effectiveness and efficiency of and compliance with the "Organization, Management and Control Model as per D.Lgs. No. 231/01", continued in 2012.

Eleven meetings of the Supervisory Body were held, and the following activities have been carried out:

- a) 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;
- b) acknowledgement of the outcomes of the audits carried out and of corrective measures implemented in order to solve the criticalities found (follow-up);
- c) training of personnel in matter of D.Lgs. 231/01, carried out: directly by the Supervisory Body or entrusted to the Internal Audit Officer and to peripheral Italian and foreign units according to the guidelines set by the Supervisory Body itself;
- d) fulfilment, by means of the Internal Audit Officer, of inquiries as per art. 13 of the Code of Ethics in connection with alleged infringements of the Organization, Management and Control Model;
- e) sharing of information on the progress of the internal audit system analysis project, as far as supplementary controls are concerned, for compliance with D.Lgs. 231/01;
- f) meetings held jointly by the Board of Auditors, for mutual exchange of information on control activities carried out;
- g) closer examination of issues concerning corporate groups, aimed at updating protocols and guidelines taking into account the Group's equity investments;
- h) 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 during 2013, the Supervisory Body asked to finalize a project aimed at updating the mapping and assessment of the risks related to "cybercrime offences and unauthorized processing of data" in order to verify the suitability of the presently existing controls (protocols as per art. 6) – also by means of a verification activity in terms of "vulnerability assessment".

During the meeting held on August 1, 2012, the Board of Directors was informed about the changes occurred in the Self-Governance Code (rev. 2011), also with reference to the possibility that the Company may "attribute to the Board of Auditors the functions which are presently fulfilled by the Supervisory Body as per D.Lgs. 231/01.

No resolution was taken to such respect.

#### **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 Self-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, Internal Audit Officer, 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 Self-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 of internal audit activities which have been carried out, during 2012, through the Integrated Internal Audit System conceived as an operational method for the rationalization, integration and coordination of audit and monitoring activities performed by various corporate bodies fulfilling assurance activities, on the basis of an annual audit plan, which is shared with the Risks and Audit Committee and the Company's Top management.

## 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.

On that occasion, the Related Parties Committee was further set up, pursuant to the above, formed of the following independent directors:

- |                             |                      |
|-----------------------------|----------------------|
| ▪ Eugenio Pinto (President) | independent director |
| ▪ Maurizio Poloni           | 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) 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;
- (ii) a well-grounded non-binding opinion, to be expressed by the Related Parties Committee mentioned above, is required;
- (iii) said Committee may avail itself of independent experts to be selected by the same;
- (iv) an *ex ante* information 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.

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

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

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 recent recommendations, 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 transaction with related parties" published in the Company's website ("Governance/Documents" section).**

\* \* \* \* \*

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, 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 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 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 above requirements.

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 above 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.

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.

For closer details on other aspects connected with the appointment 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" section).

## 14. AUDITORS

The Board of Auditors presently holding office for the three-year period 20012/2014, 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. On the second topic of the agenda, 34 (thirty-four) shareholders, globally holding 2,218,099 (two millions two hundred nineteen thousand ninety-nine) shares, corresponding to 3.22% (three point twenty-two percent) share capital attending the Shareholders' Meeting abstained from voting.

\* \* \* \* \*

During its meeting held on May 30, 2012, **the Board of Auditors, pursuant to the Implementation Criterion 8.C.1 of the Self-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.

Moreover, the Company complies with the principles of the Self-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).

Moreover, the Board of Auditors supervised 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 (Implementation Criterion 8.C.1).

The Board of Auditors, in order to carry out its activities, availed itself of the collaboration and coordination of the Internal Audit Officer, who is also the Internal Audit Department Manager. Moreover, the Board of Auditors acted in coordination with the Risks and Audit Committee, constantly exchanging information with the latter, by both causing the Chairman of the Board of Auditors to attend the meetings of said Committee, and by means of meetings held on a joint basis whenever the topics discussed and the corporate offices interviewed were considered of common interests taking into account their respective sphere of competence (Implementation Criteria 8.C.4 and 8.C.5).

It is hereby reminded, as set forth above, that consequently to the coming into force of art. 19 of D.Lgs. 39/2010, and in accordance with the Communication No. 18916 by Borsa Italiana S.p.A., the supervision in matter of audit of accounts, as per letters d) and e) of art. 8.C.3 of the Self-Governance Code for listed companies, is entrusted to the Board of Auditors on an exclusive basis.

During 2012, 10 meetings of the Board of Auditors were held (of which, the meetings of January 18, March 6 and July 6 were held jointly with the Risks and Audit Committee; the meeting of February 22 the last was held jointly with the Supervisory Body; the meeting of March 26 was held jointly with the boards of auditors of some affiliated companies).

As far as the financial year 2013 is concerned, the Board of Auditors scheduled 4 meetings and, at the date hereof, one of them has already been held (January 14, 2013).

## 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"* section).

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, March 13, 2013

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

# ***SUMMARY TABLES***

**Table 1: Information on Shareholding Structure**

<b><i>SHARE CAPITAL STRUCTURE as at December 31, 2012</i></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	-	-	-	-

**Table 2: Board of Directors' and Committees' structure as at December 31, 2012**

Board of Directors in office as at December 31, 2012 *									Risks and Audit Committee		Remuneration Committee	
Office	Members	in office from until	Executive	Non executive	Independent pursuant to the Self-Governance Code	Independent pursuant to the T.U.F. (Italian Financial Services Act)	% ****	Number of other positions	***	****	***	****
Chairman	Paolo Astaldi	Consiglio nominato dall'Assemblea del 23 aprile 2010 per gli esercizi 2010/2012. Il Consiglio di Amministrazione pertanto scadrà con l'approvazione del bilancio al 31 dicembre 2012.	x				100%	1				
Deputy Chairman	Ernesto Monti			x		X	100%	5			x	100%
Deputy Chairman	Giuseppe Cafiero		x				100%	-				
Chief Executive Officer	Stefano Cerri		x				100%	2				
Director	Caterina Astaldi			x			50%	1				
Director	Pietro Astaldi			x			17%	1				
Director	Luigi G. Cavalchini			x			100%	1				
Director	Giorgio Cirla			x	x	x	100%	1	x	100%		
Director	Paolo Cuccia			x	x	x	80%	-				
Director	Mario Lupo			x	x	x	100%	-	x	75%		
Director	Eugenio Pinto			x	x	x	100%	4	x	75%	x	100%
Director	Maurizio Poloni			x	x	x	100%	-			x	100%
<b>Quorum required for filing lists: 2.5%</b>												
Number of meetings held during the period			BoD: 6		Risks and Audit Committee: 4				Remuneration Committee: 2			

#### NOTES

\* The Board of Directors holding office since December 31, 2012 was appointed on the basis of one sole list filed by the majority shareholder Fin.Ast. S.r.l.

\*\* 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, 2012:**

<b>Name and Surname</b>	<b>Other offices held pursuant to Article 1.3 of the Self-Governance Code</b>
Paolo Astaldi	Chief Executive Officer of Fin.Ast S.r.l.
Ernesto Monti	Chairman of the Board of Directors of Finanziaria Tosinvest S.p.A.; Director of Alitalia S.p.A., Unicredit MCC S.p.A., Erg Renew S.p.A. (formerly known as Enertad S.p.A.), Ariscom Compagnia di Assicurazioni S.p.A.
Giuseppe Cafiero	not any one
Stefano Cerri	<b>A4 Holding S.p.A.</b> and AUTOSTRADE Serenissima S.p.A.
Caterina Astaldi	Director of Fin.Ast. S.r.l.
Pietro 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
Eugenio Pinto	Chairman of the Board of Auditors of Eni Adfin S.p.A. and Stogit S.p.A. and Snam Rete Gas S.p.A.; Standing Auditor of Finmeccanica S.p.A.
Maurizio Poloni	not any one

**Table 4: Board of Auditors structure as at December 31, 2012**

<i>Office</i>	<i>Members</i>	<i>in office from until</i>	<i>List</i>	<i>Independence pursuant to the Code</i>	<i>Percentage of attendance at Board of Auditors meetings</i>	<i>Number of other positions</i>
<b>Chairman</b>	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
<b>Standing Auditor</b>	Lelio Fornabaio		majority	x	100%	16
<b>Standing Auditor</b>	Ermanno La Marca		majority	x	100%	1
<b>Alternate Auditor</b>	Andrea Lorenzatti		minority	x	100%	0
<b>Alternate Auditor</b>	Giulia De Martino		majority	x	100%	2
<b>Alternate Auditor</b>	Francesco Follina		majority	x	100%	20
<b>Number of meetings held in 2012: 4</b>						
<b>Quorum required for filing lists by minorities for the election of one or more standing auditors</b> (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.