DIRECTORS' REPORT PART II

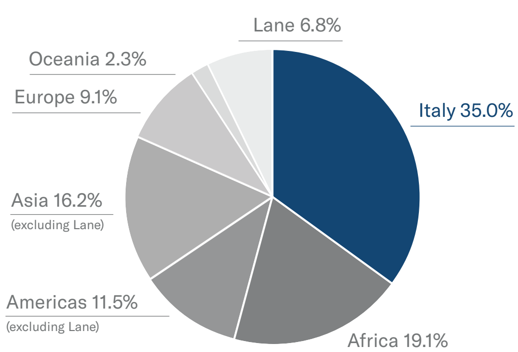
Order backlog

The order backlog for the construction and concessions segments is as follows at the reporting date:

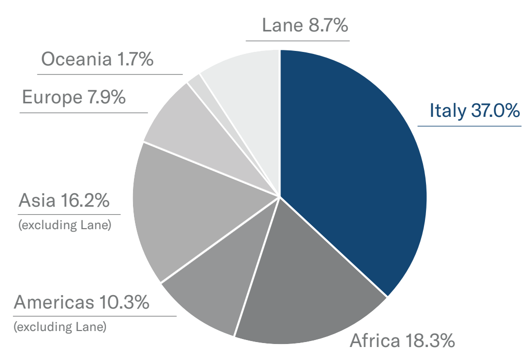
(Share in millions of Euros) AREA	Residual order backlog at 31 December 2016	Percentage of total	Residual order backlog at 31 December 2017	Percentage of total
Italy	**12,934.7**	**35.0%**	**12,718.0**	**37.0%**
Africa	7,047.5	19.1%	6,283.7	18.3%
Asia (excluding Lane)	5,967.0	16.2%	5,558.7	16.2%
America (excluding Lane)	4,255.9	11.5%	3,556.2	10.3%
Europe	3,359.7	9.1%	2,700.6	7.9%
Oceania	832.1	2.3%	582.7	1.7%
Abroad	**21,462.2**	**58.1%**	**18,681.9**	**54.4%**
Lane	2,513.4	6.8%	3,000.8	8.7%
Total	**36,910.3**	**100.0%**	**34,400.7**	**100.0%**

The following chart provides a breakdown of the order backlog by area:

Breakdown of the order backlog 31 December 2016



Breakdown of the order backlog 31 December 2017



Order backlog

The order backlog shows the amount of the long-term construction contracts awarded to the Group, net of revenue recognised at the reporting date. The Group records the current and outstanding contract outcome in its order backlog. Projects are included when the Group receives official notification that it has been awarded the project by the client, which may take place before the definitive, binding signing of the related contract.

The Group includes projects in its order backlog when it deems that the contract counterparties will comply with their obligations. Moreover, its contracts usually provide for the activation of specific procedures (usually arbitrations) to be followed in the case of either party's contractual default.

The order backlog includes the amount of the projects, including when they are suspended or deferred, pursuant to the contractual conditions, even if their resumption date is unknown. The value of the order backlog decreases:

- when a contract is cancelled or decreased as agreed with the client;
- in line with the recognition of contract revenue in profit or loss.

The Group updates the order backlog to reflect amendments to contracts and agreements signed with clients. In the case of contracts that do not have a fixed consideration, the related order backlog reflects any contractual variations agreed with the client or when the client requests an extension of the execution times or amendments to the project that had not been provided for in the contract, as long as these variations are agreed with the client and the related revenue is reasonably certain.

The measurement method used for the order backlog is not a measurement parameter provided for by the IFRS and is not calculated using financial information prepared in accordance with such standards. Therefore, the calculation method used by the Group may differ from that used by other sector operators. Accordingly, it cannot be considered as an alternative indicator to the revenue calculated under the IFRS or other IFRS measurements.

Moreover, although the Group's accounting systems update the related data on a consolidated basis once a month, the order backlog does not necessarily reflect the Group's future results, as the order backlog data may be subject to significant variations.

Performance by geographical segment

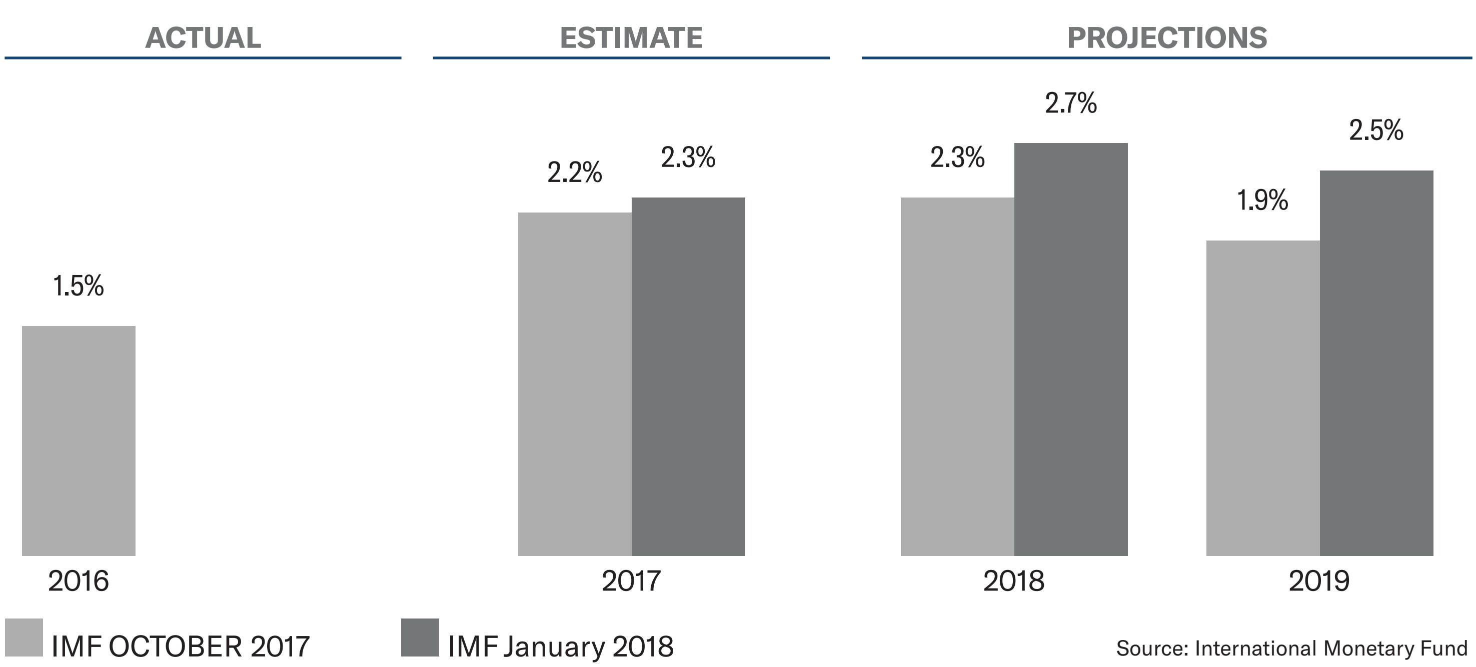
Lane operating segment

The Group is active in the US through the subsidiary Lane Industries Incorporated.

Macroeconomic scenario

GThe US economy continues to grow with positive development prospects. According to the IMF's January 2018 estimates, its growth is forecast at 2.3% and 2.7% in 2017 and 2018, respectively, which is better than the IMF's previous estimates published in October 2017. This upwards revision reflects the expected positive impact of the tax reform recently approved by Congress, which provides for a cut in the corporate tax rate and a temporary reduction in taxes for taxpayers. This review should stimulate business and, hence, trigger another boost in growth. This development is supported by internal consumption which benefits from a strongly growing labour market with almost full employment, an upturn in investments, better economic prospects for companies and the recovery of the energy sector. Overall, the development rate has been fairly stable since 2009, continuing one of the longest expansionary periods for the US economy to date.

GDP GROWTH ESTIMATES AND FORECASTS: UNITED STATES



Source: International Monetary Fund

The US dollar depreciated by about 13% against the Euro in 2017, a trend that was not expected at the start of the year when the FED's measures for a more restrictive monetary policy had already been announced and which were then implemented during the year. However, these measures did not significantly affect the exchange rate. Market expectations about the average 2017 EUR/USD rate was 1.04 in January (Bloomberg consensus estimates of January 2017) while the actual average was 1.13, differing from the forecasts by roughly 9%. The Euro again gained ground at the start of 2018 to exceed 1.20. Some operators' current expectations are for an about-turn and the medium-term strengthening of the US dollar while other operators forecast the Euro's continued growth as a result of the expected discontinuation of its accommodating monetary stance of the last few years by the ECB. Market forecasts for the short term are that the US dollar will continue to be weaker than the Euro.

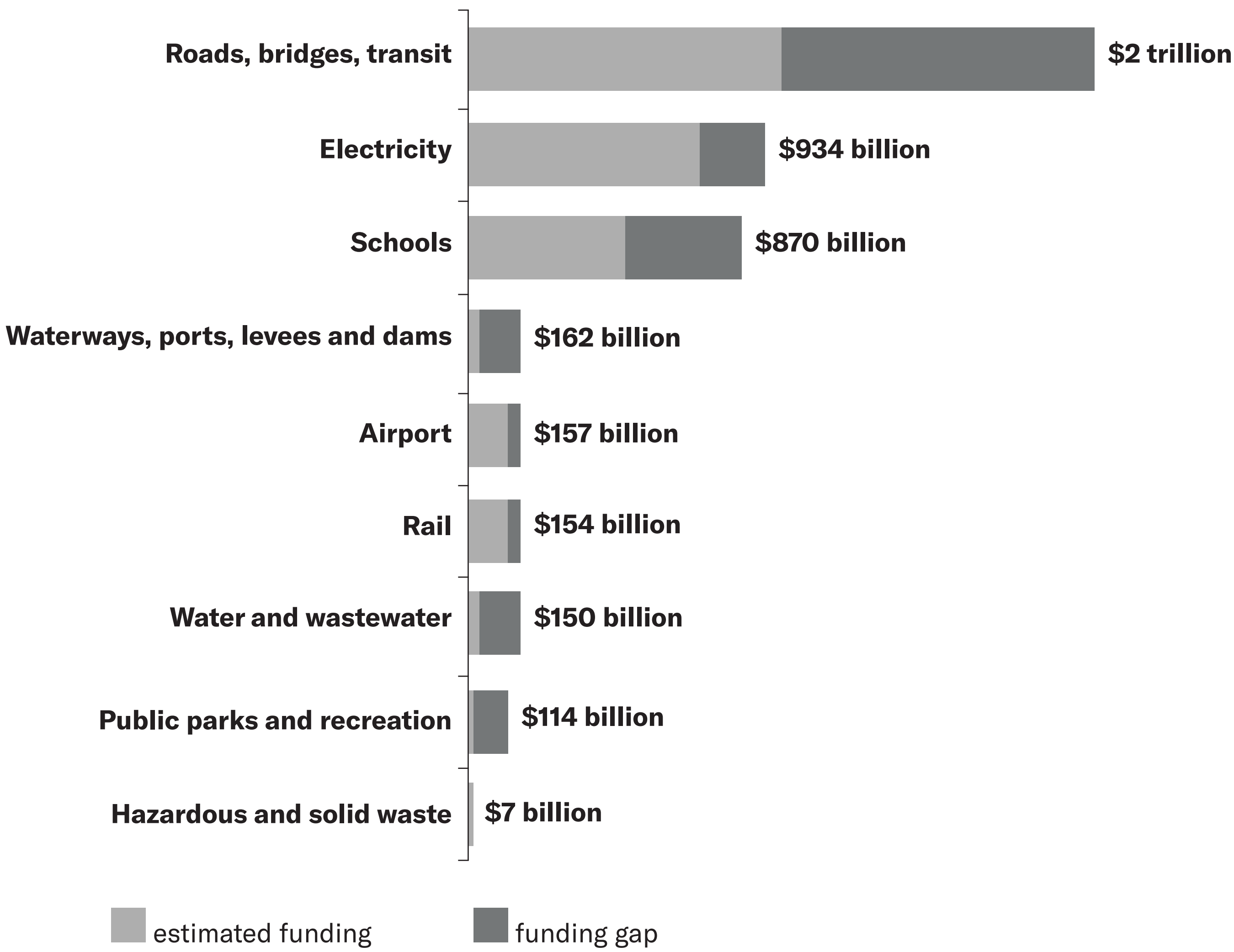
The construction and infrastructure sector has also benefitted from the economy's positive performance and growth outlook for new investments. This encouraging trend has been seen at both federal and individual state level. The recently approved six-year USD18.6 billion investment plan touted by the Virginia Department of Transportation represents a potential opportunity in the local US markets. A draft law, the Transportation Bill, was recently approved in California, providing for an increase of roughly 70% in the annual budget for transportation projects compared to the average for the last four years. Meanwhile, Governor Cuomo has proposed an infrastructure investment plan of USD100 billion for New York, to be funded in part by the federal government.

The likelihood that these far-reaching investment plans will actually happen is now greater thanks to the steady implementation of the Fast Act, the law approved by the Obama Administration at the end of 2015 to regulate public financing of infrastructure projects. There is also more funding available at federal, state and local level, which has led to greater funds earmarked for infrastructure investments in the transportation sector. Several large states are already reaping the benefits of these funds and are developing new investment plans.

Roughly 50% of the funds for the construction of roads and highways comes from federal funds provided for by the Fast Act, which match the funding put together by the states or local communities. At state and local level, investments in transportation infrastructure have grown considerably, especially in the last year, thanks to these measures.

The Trump Administration has prioritised the construction of infrastructure during its mandate and announced projects worth more than USD1,000 billion will be rolled out before 2027 (President Trump announced that this amount had been increased to €1,500 billion in his State of the Union address in January 2018) in the energy and transportation sectors flanked by the reform to simplify building permits to make the construction of roads, bridges and energy infrastructures easier and faster. If these projects go ahead, they will be accompanied by the structural investments included in the budgets already prepared by the individual states.

INFRASTRUCTURE NEEDS, FUNDED AND UNFUNDED, 2016-2025



Source: American Society of Civili Engineers 2017 Infrastructure report Card and Failure to Act series published 2011-2017

The following table shows the amounts involved in the contracts in place at the reporting date:

(Share in millions of Euros) PROJECT	Residual order backlog at 31 December 2016	Percentage of completion	Residual order backlog at 31 December 2017	Percentage of completion
Nebt	-	0.0%	468.1	3.4%
Purple Line	526.0	7.7%	422.0	17.1%
I-4 Ultimate	467.4	17.8%	285.5	45.3%
I-395 Express Lane	-	0.0%	241.9	14.8%
Other	1,520.0		1,583.3	
Total	**2,513.4**		**3,000.8**	

Purple Line - Maryland

In March 2016, Purple Line Transit Partners j.v., which includes Lane Construction, was selected as the best bidder for the design and construction of the Purple Line transit system worth USD2 billion.

The project includes the construction of 21 stations along a 16-mile alignment, mainly above ground between New Carrollton and Bethesda, north of Washington DC. Lane Construction is involved in the construction work with a 30% share.

I-4 Ultimate - Orlando - Florida

In September 2014, the I-4 Mobility Partners joint venture entered into a concession agreement with the Florida Department of Transportation (FDOT) to design, build, finance and operate the USD2.3 billion I-4 Ultimate project. Lane Construction's share of the construction part of the contract is 30%.

The project includes the reconstruction of 21 miles of I-4 from west of Kirkman Road in Orange Country to east of SR 434 in Seminole County, including the addition of four lanes and sections in central Orlando.

I-395 Express Lane - Virginia

On 1 March 2017, Lane won a new design-build contract worth USD336 million to extend the I-395 Express Lanes in Virginia by about eight miles between Fairfax and Arlington.

The project design stage is currently underway, the first subcontracts have been assigned and the preliminary works commenced.

North-East Boundart Tunnel (NEBT)
In July 2017, the SA Healy (Lane) and Salini Impregilo joint venture won the design & build contract for the mechanised excavation of an 8.2 km tunnel and related works in Washington D.C. worth USD580 million. The works are part of the clean rivers project for the Anacostia River. The client issued the notice to proceed in September 2017 and the design and procurement stages are now underway. Work will start in April 2018 to be completed at the beginning of 2022.

Outlook 2018
IThe Lane construction segment has become a core market for the Group, and is expected to contribute around 30% to its total revenue. This is shown by the orders acquired in 2017:

- I-395, in Virginia (100% Lane) worth USD336 million;
- Three Rivers, in Fort Wayne, Indiana (joint venture between Lane and Salini Impregilo) worth USD188 million;
- Unionport Bridge, in New York City, NY (JV comprising Schiavone (55%) and Lane (45%)) worth USD232 million;
- I-70, in Maryland, (100% Lane) worth USD118 million;
- Florida Turnpike, Florida (100% Lane) worth USD177 million;
- Building the new runway at the Al Maktoum Airport in the United Arab Emirates (100% Lane International) worth USD125 million;
- North East Boundary Tunnel, in Washington, D.C., 70% Lane and 30% Salini Impregilo, worth USD580 million;
- Florida Turnpike in the counties of Hernando and Citrus, Florida, for a combined value of USD135 million;
- Roadworks in Virginia on I-264 for USD105 million.

The Group's reference market in the US should offer a pipeline of possible calls to tender worth USD23 billion in the three years from 2018 to 2020 in the following sectors:

- Roughly 40% highways and bridges, mainly in the south-east, north-east and California;
- Roughly 20% in high speed railway projects in the south-west;
- Roughly 20% in tunnel works in the north-east and California;
- The remaining 20% in airports, the water and energy sectors and traditional railways.

The Group will also monitor developments for additional opportunities in the market worth another USD60 billion.

Abroad

The Group is active in the construction and concessions sectors abroad.

Macroeconomic scenario

The global economy has picked up steadily since the end of 2016. Based on the IMF's most recent estimates (January 2018), international growth should increase to 3.7% and 3.9% in 2017 and 2018 respectively. The upturn in trade and a better economic climate have positively affected business and stimulated consumption and investments.

According to the IMF, growth in the Eurozone was 2.4% in 2017 and is expected to be 2.2% in 2018. This trend has also been seen in the emerging economies, with an improvement from 4.4% in 2016 to 4.7% in 2017, and a forecast increase to 4.9% in 2018 thanks to China's strong performance, as a result of its very expansionary economic policies, and the more positive outlook for Brazil and Russia. The macroeconomic scenario is also satisfactory for South East Asia and North Africa although the Middle East's economy is somewhat weaker.

According to the IHS Markit report of October 2017, global infrastructure investments increased by 3.3% in 2016, boosted by the transportation sector which saw growth of 5%. The respective growth rates are forecast to be 4% and 5% for 2017 and 2018, after the roll-out of several projects that had been delayed in previous years. Over the next five years, infrastructure investments should increase by a compound average growth rate (CAGR) of 5%.

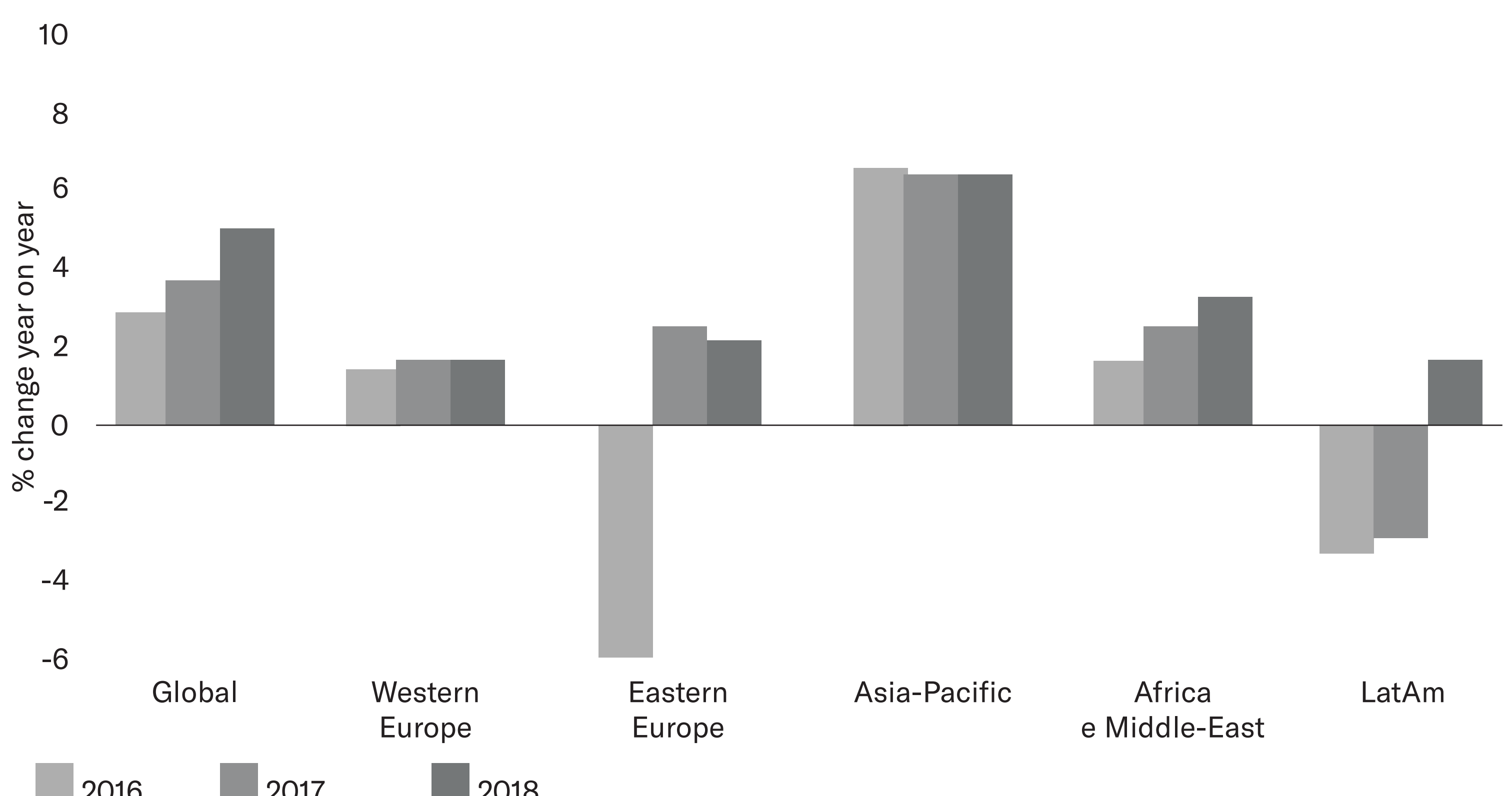
The IHS Markit forecasts the continued recovery of the construction sector in Western Europe bolstered by the tax measures encouraging investments in infrastructure. The expected annual growth rate is 2% for 2017 and 2018.

This rate is expected to be one of the highest for the next five years in the Asia Pacific area with a CAGR of 6%. The entire region will benefit from China's Belt & Road project which includes the construction of a network of high speed railways, motorways and sea ports to connect China with another 64 states.

Investments in infrastructure in Africa and the Middle East are forecast to increase by 4% in 2018, mainly in Egypt and Qatar where double-digit growth is expected over the next five years.

Finally, the HIS Markit reports a 4% drop in infrastructure spending in South America in 2017. Specifically, the decrease in investments in infrastructure has been estimated at 6% for Brazil, although growth is forecast for the next two years (3% and 5% for 2018 and 2019, respectively).

INVESTMENTS IN INFRASTRUCTURE: 2016-2018



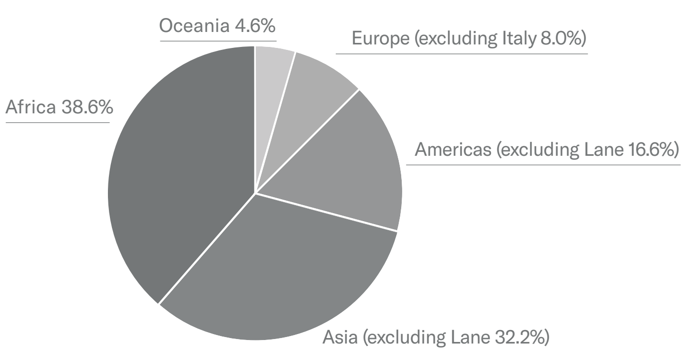
Source: IHS Markit, October 2017

The order backlog for the foreign construction segment is as follows:

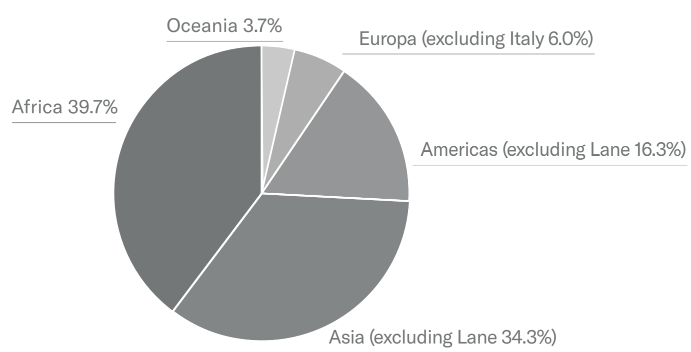
(Share in millions of Euros) **AREA**	Residual order backlog at 31 December 2016	Percentage of total	Residual order backlog at 31 December 2017	Percentage of total
Africa	7,047.5	38.6%	6,283.7	39.7%
Asia (excluding Lane)	5,883.2	32.2%	5,442.6	34.3%
Americas (excluding Lane)	3,032.0	16.6%	2,584.7	16.3%
Europe (excluding Italy)	1,465.1	8.0%	951.8	6.0%
Oceania	832.1	4.6%	582.8	3.7%
Total	**18,259.9**	**100.0%**	**15,845.6**	**100.0%**

The following chart provides a breakdown of the order backlog by area:

Breakdown of the order backlog 31 December 2016



Breakdown of the order backlog 31 December 2017



Australia

Market

The construction sector is a driving force of the Australian industry and contributes roughly 9% to the country's GDP.

The Australian Bureau of Statistics estimates that the population will go from the current 24 million residents to 42 million by 2061. The Australian economy has been driven and will continue to be driven by greater residential construction closely tied to the far-reaching public spending plan for infrastructure.

The Australian Industry Group expects that the annual growth in road projects in 2018 and 2019 will be approximately 21% while that of the railway projects will be around 19%.

The most recent federal budgets include public works spending of around AUD75 billion (roughly €50 billion) to be allocated for railways, roads and transportation in the ten-year period from 2018 to 2027.

The Group has been active in Australia since 2013 and currently operates through Salini Impregilo Australia Branch, the wholly-owned Salini Australia Pty Ltd, Impregilo Salini Joint Venture and Salini Impregilo - NRW Joint Venture.

In December 2013, Transport for New South Wales awarded Impregilo-Salini Joint Venture the contract, worth approximately AUD700 million (including the additional consideration), for the Sydney Metro Northwest Project - Design and Construction of Surface and Viaduct Civil Works. Most of the works were delivered in December 2017.

The project is the first stage of the Sydney Metro Project, the largest public transport infrastructure project in Australia, which consists of the construction of the new metro line to serve north-east Sydney.

Unforeseen costs have been incurred and the contractor has accordingly presented its request for additional consideration.

The costs are included in the measurement of work in progress for the part deemed highly probable to be recovered, based also on the opinions of the Group's legal advisors.

The following table shows the amounts involved in the contract in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Forrestfield Airport Link	582.8	27.2%
Total	**582.8**	

Forrestfield Airport Link

On 28 April 2016, the joint venture of Salini Impregilo (80%) and NRW Pty Ltd (20%) was awarded the contract to design, construct and maintain the Forrestfield Airport Link by the Public Transport Authority of Western Australia. The project includes construction of a new metro line to connect Forrestfield, and hence the airport, to the existing Perth network through an 8 km underground line. As well as the design and construction of the three new metro stations, the contract also includes 10 years of maintenance of the infrastructure. It is worth approximately AUD1.2 billion.

Outlook for 2018

The Group deems that the Australian market is fundamental for its growth strategy and will continue to pursue new business opportunities tied to the country's ongoing development in 2018.

Tajikistan

Market

This country's economy grew at a rate of 7.5% between 2011 and 2014 while GDP contracted in the three-year period from 2015 to 2017. The annual inflation rate for 2017 was 7% according to the country's central bank while the local currency depreciated by 12% against the US dollar and by 25% against the Euro.

Exports increased by 73% in 2017 compared to the previous year while imports decreased by 14%.

The project assigned to the group is of fundamental importance to boost the country's economic growth over the next few years with the export of electrical energy generated by the Rogun hydroelectric power plant. Accordingly, in September 2017, Tajikistan successfully placed bonds worth €500 million with foreign investors to increase the amount earmarked in the national budget for the Rogun dam.

The following table shows the amounts involved in the contract at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Rogun Hydropower Project	1,434.9	14.1%
Total	**1,434.9**	

Rogun Hydropower Project

On 1 July 2016, Salini Impregilo signed a framework agreement with the Tajikistani government worth approximately USD3.9 billion to build a hydroelectric power plant (split into four functional lots). The Group, with a 100% share, has been assigned the first executive lot (Lot 2) of roughly USD1.9 billion to build a 335 metre-high rockfill dam with a clay core, the tallest in the world, on the Vakhsh River in Pamir, one of Central Asia's main mountain ranges. The contract term is 11 years (plus two years warranty).

The contract for Lot 2 will be executed by the Group's local branch.

Work has continued on schedule and the early generation phase (when electrical energy will be provided although at a lower output than when the project has been completed) is expected to commence before the end of 2018.

When fully operational, the power plant will have total installed capacity of 3,600 MW generated by six turbines of 600 MW each.

Outlook for 2018

Achievement of the contractual milestones will require the recovery of a slight delay in the works which the Group continues to monitor closely with the client. It also requires that the client completes the financing of the project. To this end, the government has already approved the issue of bonds for €1 billion (an additional €500 million to those already placed). During 2018 and depending on the availability of the above-mentioned financing, other lots should be assigned to the Group in accordance with the signed framework agreement.

Saudi Arabia

Market

The Saudi market continues to be of great interest to Salini Impregilo.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Riyadh Metro Line 3	1,155.0	59.4%
Riyadh National Guard Military	1,084.0	0.0%
Other	182.3	
Total	**2,421.3**	

Riyadh Metro Line 3

On 29 July 2013, Salini Impregilo, as leader of an international consortium, won a portion of the maxi contract awarded by ArRiyadh Development Authority to design and construct the new Riyadh metro line (line 3, 41.2 km), the longest line of the challenging project for the new metro system of Saudi Arabia's capital.

The lot assigned to ArRiyadh New Mobility Consortium is an important part of the larger construction contract for Riyadh's new metro system, worth approximately USD23.5 billion.

The value of the works to be carried out by the consortium, i.e., the design and construction of the entire Line 3, is roughly USD6.0 billion, including approximately USD4.9 billion for the civil works, of which Salini Impregilo will carry out 66%. It sold 14% of its share to Salini Saudi Arabia Company L.t.d. (51% owned by Salini Impregilo) in 2016.

Riyadh National Guard Military

In December 2017, Salini Impregilo signed the agreements for a contract in Riyadh worth roughly USD1.3 billion with the Saudi Arabia National Guard (SANG).

The project includes housing and urban planning on a large scale with the construction of about 6,000 villas in an area of 7 million square metres to the east of Riyadh and more than 160 kilometres of main roads and secondary routes and related services, as well as a sewage treatment plant and several water tanks above and below ground. The contract is expected to be completed in five years.

Outlook for 2018

The Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Qatar

Market

Given current oil prices, the country has held back development of new infrastructure projects and has continued high priority projects (such as the Doha metro line) for the 2022 FIFA World Cup.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) PROJECT	Residual backlog	Percentage of completion
Al Bayt Stadium	303.0	57.3%
Red Line North	57.6	95.6%
Total	**360.6**	

Al Bayt Stadium

In July 2015, the Group was awarded the contract to build the Al Bayt stadium in Al Khor, roughly 50 km north of the capital Doha. The Group's share of the contract, which entails the design and construction of one of the sports complexes where the 2022 FIFA World Cup matches will take place, is worth approximately €770 million. The contract was awarded by the Aspire Zone Foundation, which is responsible for the development of Qatar's sports infrastructure. The stadium will be able to accommodate 70,000 spectators with an area of 200 thousand square metres. The project is an example of an eco-sustainable work, thanks to modern construction techniques and the use of environmentally friendly and low energy impact state-of-the-art materials.

The Group's share of the contract is 40%.

Red Line North Underground, Doha

In 2013, Salini Impregilo, as leader of a joint venture with a 41.25% share, won the tender called by Qatar Railways Company (Qrail) for the design and construction of the Red Line North Underground in Doha. The project, along with three other metro lines, is part of a programme promoted by Qatar to build a new infrastructure mobility system included in the National Development Plan for 2030 ("Qatar National Vision 2030"), which provides for significant investments to ensure sustainable economic growth. The contract's value (for the Group's share) has decreased from the previous QAR8 billion (roughly €2 billion) to the current QAR5.6 billion (approximately €1.4 billion), due to the partial use of the contractually-provided for provisional sum.

Outlook for 2018

The Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Kuwait

Market

The Kuwaiti market has attracted more foreign investment over the last few years thanks to the introduction of new financial laws stimulating investments and trade relations. The Kuwaiti parliament has approved a five-year 2016-2020 investment plan, which includes investments of more than USD100 billion in the country's infrastructure. They comprise the construction of thousands of new homes, a railway network and metro system, new oil refineries and industrial plants. In addition, there are no limits to the transfer of capital and the strong and stable dinar can easily be converted into other currencies and transferred. Finally, the high per capita GDP and long-term budget surplus encourage investment in the local market.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
South Mutlaa City	370.3	17.8%
Total	**370.3**	

South Mutlaa City

On 17 June 2016, Kuwait's Public Authority for Housing Welfare assigned the contract for the construction of primary urbanisation works to build a new residential area in a 12 thousand hectares site located 40 km northwest of Kuwait City as part of the South Al Mutlaa Housing Project. The project, which is worth approximately €890 million, will be carried out by a consortium led by Salini Impregilo with a 55% stake and includes, inter alia, the construction of 150 km of roads and related structures and numerous other works.

The consortium was awarded additional works in June 2017 for approximately €20 million to move high tension power lines out of the way.

Outlook for 2018

The Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Ethiopia

Market

Ethiopia is one of the fastest growing economies in Africa. Its government aims to develop its natural resources and, specifically, its water resources, to encourage investments in renewable energies: the generation of electrical energy and its export to nearby nations will assist integration among African countries and generate valuable currency inflows.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Koysha	2,033.6	14.8%
GERD	1,070.7	72.6%
Gibe III	2.5	99.9%
Total	**3,106.8**	

Koysha Hydroelectric Project

This project is on the Omo River, about 370 km south-west of the capital Addis Abeba. It was commissioned by Ethiopian Electric Power (EEP) and includes the construction of a dam with a 9 billion cubic metre capacity reservoir, annual energy generation of 6,460 Gwh and total installed capacity of 2,160 MW. The project also includes access roads, a new bridge over the river and a 400 KW transmission line from Koysha to Gibe III. The contract is worth approximately €2.5 billion and Salini Impregilo's share is 100%. Work is currently being carried out on the project.

This important new project, together with GIBE III and GERD (the Grand Ethiopian Renaissance Dam) on the Blue Nile, will enable Ethiopia to become Africa's leader in terms of energy production.

Gerd

The GERD project, located approximately 500 km north west of the capital Addis Abeba, consists of the construction of a hydroelectric power plant, Grand Ethiopian Renaissance Dam (GERD), and the largest dam in the African continent (1,800 metres long, 170 metres high). The project also includes the construction of two power stations on the banks of the Blue Nile, equipped with 16 turbines with total installed capacity of 6,350 MW. The contract is worth approximately €3.7 billion and Salini Impregilo's share is 100%. The project is at an advanced stage of completion.

Unforeseen costs have been incurred and the contractor has accordingly presented its request for additional consideration. The costs are included in the measurement of work in progress for the part deemed highly probable to be recovered, based also on the opinions of the Group's legal advisors.

Outlook for 2018

Development programmes for the next few years include installation of additional production capacity, including through the Gerd and Koysha projects (the latter was awarded to Salini Impreligo in 2016).

The Group has a strong operating and commercial base in the country and will continue to work on its projects. It will also leverage on its know-how and existing presence in the country to exploit all new business and industrial opportunities.

Denmark

Market

Denmark is experiencing a phase of moderate growth. The country's infrastructure development plan entails public and private investment. The Group operates through its subsidiary Copenhagen Metro Team I/S, a company incorporated under Danish law and involved in the construction of Copenhagen Cityringen, one of the world's most modern transport infrastructures.

The following table shows the amounts involved in the contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Cityringen	145.5	93.7%
Total	**145.5**	

Copenhagen Cityringen

The project consists of the design and construction of the new metro loop in the centre of Copenhagen, which entails two tunnels of roughly 16 km each, 17 stations and five monitoring shafts. The contract is worth approximately €2,294 million, including additional consideration and price reviews. During the year, work went ahead according to schedule with continuation of the electromechanical works and architectural finishings. The Group's share of the project is 99.9%.

During this year and in 2016 and 2015, the Group incurred costs for activities not originally provided for in the contract; more information is available in the "Main risk factors and uncertainties" section.

Outlook for 2018

The Group is monitoring the local market, and the entire Scandinavian area in general, for new transportation, tunnelling and hospital construction projects through its Norwegian branch based in Oslo.

Other countries and projects

Argentina

Riachuelo - Buenos Aires

The project has significant environmental and social value as it will clean up the Riachuelo River basin. The initiative is the first part of a larger programme, financed by the World Bank, for sustainable development of the Matanza-Riachuelo catchment basin, aimed at the environmental restoration of the Riachuelo River and the areas it passes through, considered to be among the most polluted in the region.

Following an addendum signed in the second half of 2016, the contract is now worth roughly €408 million (Salini Impregilo's share is 75%).

Argentina's estimated GDP growth rate is 3.5% for 2018 and the inflation rate is currently estimated to be around 19%, compared to the government's target of 15% (25% in 2017). The government has rolled out a big public works investment plan as announced at the end of 2016.

Given these premises, the Group has decided to set up a branch office in Buenos Aires to evaluate the many bids (some of which already presented in 2017) for calls for tender in 2018.

Slovakia

D1 Motorway - Lietavská Lúčka – Višňové – Dubná Skala Section

The "D1 Motorway - Lietavská Lúčka – Višňové – Dubná Skala section" project consists of the construction of roughly 13.4 km of the motorway, which includes a 7.5 km tunnel, an intersection, a rest area, nine bridges, a maintenance centre and sundry related works.

The contract, mostly funded by the EU, its worth approximately €409 million (Salini Impregilo's share is 75%).

At macroeconomic level, the year-on-year increase in GDP was 5.4%, after already being above 3.% in the previous two years.

The most recent estimates of the Slovakian central bank (NBS), confirmed by the Ministry of Finance, include a forecast growth rate of 4.0% in 2018.

The planned increase in public spending, including for large infrastructure projects, and the small tax burden (the corporate rate decreased from 22% to 21% this year) together with the inexistent currency risk make this market very attractive.

The Group will continue to pursue new business opportunities in 2018 in line with the country's continued growth.

United Arab Emirates

Meydan One Group 1° in Dubai – Umm Lafina Project in Abu Dhabi
This country is promoting numerous investments in infrastructure for Expo 2020 and this will encourage the development of new projects.

The Meydan One Group project in Dubai is part of an urban development project located between Meydan and Al Khail Road. It is set to become one of the main tourist attractions of the city and country during Expo. Salini Impregilo will perform the structural works and oversee the excavations and building works for AED1.6 billion, equal to roughly €364 million.

Salini Impregilo has also been awarded the €167 million contract to build a section of a transit way across two islands to connect the Capital District with the Central Business District, for which Abu Dhabi has set up a development plan to foster economic growth. The Group has a 60% share of this project.

Given the potential of this market, the Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Fisia Italimpianti projects

The Atakoy project in Turkey is one of the cornerstones of the heavily populated city of Istanbul's urban waste water treatment programme. Its intention is to improve the environmental conditions of the Bosporus Strait and the Sea of Marmara. The contract worth roughly €84 million is being carried out by the group company Fisia Italimpianti as part of a 50:50 joint venture with the Turkish company Alkatas.

The contract includes the modernisation of an existing plant which has a treatment capacity of 360,000 cubic metres of waste water per day and the building of a new section for the plant to treat another 240,000 cubic metres for a total installed capacity of 600,000 cubic metres per day. The contract also includes another advanced biological treatment unit that uses a membrane system of 20,000 cubic metres per day and a system to dry the sludge generated by the biological purification process.

Works for the Shoaiba project in Saudi Arabia consist of the design, supply and construction of a reverse osmosis desalination plant of 250,000 cubic metres per day in the Shoaiba area. The plant will provide potable water to the cities of Jeddah, Medina and Taif.

The contract has been agreed using a project financing structure by a SPE owned by ACWA Power, a major Saudi developer of energy generation and sea water desalination projects.

The project is being carried out by Fisia Italimpianti as a 50:50 joint venture with the Spanish company Abengoa and the contract is worth approximately €215 million.

It is the first of its kind in terms of the technology used and size for the group company which has previously garnered market recognition for its construction of large plants using evaporation techniques. The contract is particularly interesting given Saudi Arabia’s intention to invest heavily in desalination plants over the next five years.

Concessions

The Group’s portfolio of foreign concessions comprises both investments in the operators, which are fully operational and, hence, provide services for a fee or at rates applied to the infrastructure’s users, and operators that are still developing and constructing the related infrastructure and will only provide the related service in future years.

The current concessions are held in Latin America (Argentina, Colombia and Peru), the UK and Turkey. They refer to the transportation sector (motorways and metro systems), hospitals, renewable energy and water treatment sectors.

The two Argentine operators are currently in liquidation and their contracts have been terminated. The following tables show the main figures of the foreign concessions at the reporting date, broken down by business segment:

MOTORWAYS

Country	Operator	% of investment	Total km	Stage	Start date	End date
Argentina	Iglys S.A.	98.0		Holding		
	Autopistas Del Sol	19.8	120	Active	1993	2020
	Puentes del Litoral S.A.	26.0	59.6	In liquidation	1998	
	Mercovia S.A.	60.0	18	Active	1996	2021
Colombia	Yuma Concessionaria S.A. (Ruta del Sol)	48.3	465	Active	2011	2036

METROS

Country	Operator	% of investment	Total km	Stage	Start date	End date
Peru	Metro de Lima Linea 2 S.A.	18.3	35	Not yet active	2014	2049

ENERGY FROM RENEWABLE SOURCES

Country	Operator	% of investment	Installed voltage	Stage	Start date	End date
Argentina	Yacilec S.A.	18.7	T line	Active	1992	2091
	Enecor S.A.	30.0	T line	Active	1995	2094

INTEGRATED WATER CYCLE

Country	Operator	% of investment	Pop. Served	Stage	Start date	End date
Argentina	Aguas del G. Buenos Aires S.A.	42.6	210 k	In liquidation	2000	
Peru	Consorcio Agua Azul S.A.	25.5	740 k	Active	2000	2027

HOSPITALS

Country	Operator	% of investment	No. of beds	Stage	Start date	End date
GB	Ochre Solutions Ltd - Oxford Hospital	40.0	220	Active	2005	2038
	Impregilo New Cross Ltd.	100.0		Holding		
Turkey	Gaziantep Hospital	24.5	1875	Not yet active	2016	2044

Italy

The Group operates in the construction and concessions sectors in Italy.

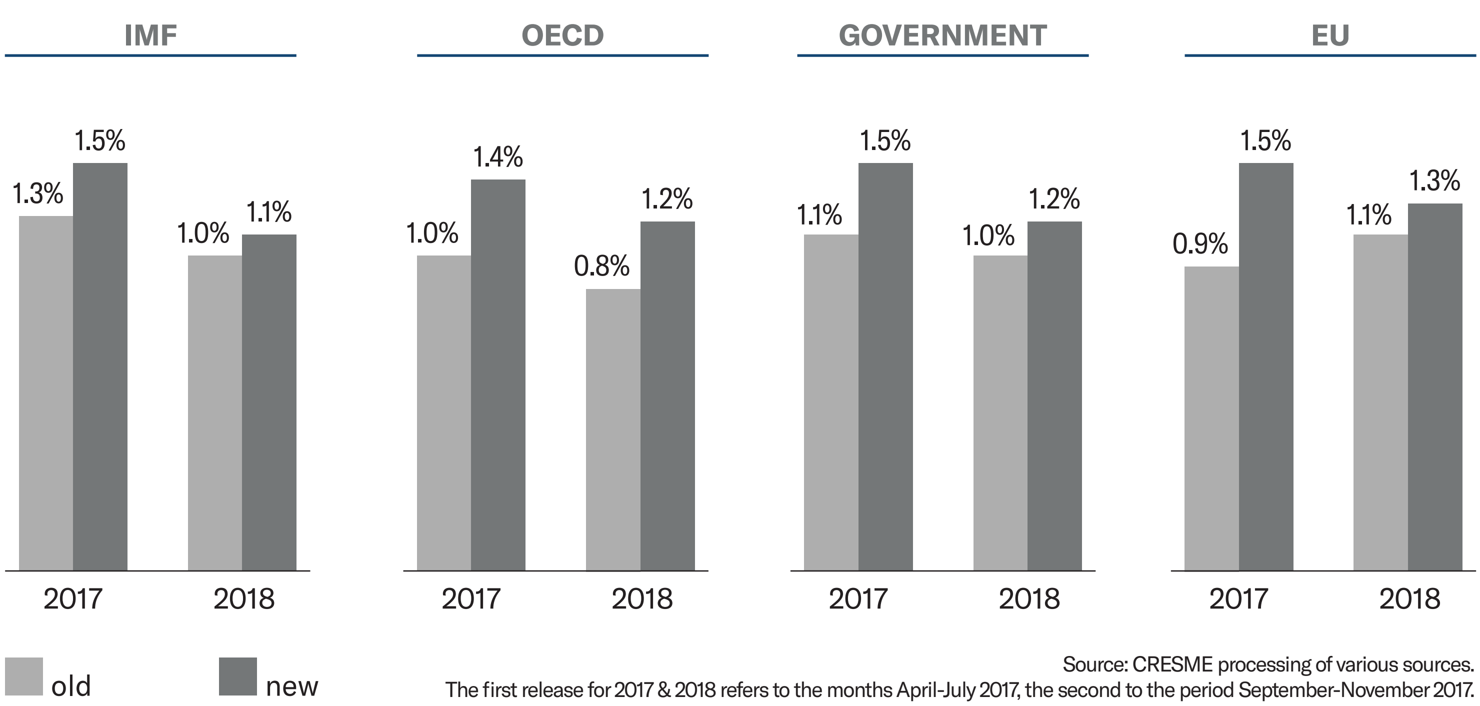
Macroeconomic scenario

The Italian economy performed better than expected in 2017. According to the IMF's estimates revised in January 2018, economic growth is now expected to be 1.6% for 2017 and 1.4% for 2018, an improvement on the organisation's previous forecasts of October 2017.

This generalised improvement was also confirmed by the better rating (BBB) given to Italy by Standard & Poor's, whose previous upgrading dates back to 1988.

The government's tax incentives facilitated an increase in investments during the year which is expected to continue during 2018. However, in order to consolidate this positive trend, the IMF's recommendations refer to the targets of a higher volume of state investments, an improved allocation of resources, a reduction in spending on pensions and finally a decrease in the tax impact on employee remuneration.

ITALY: 2017-2018 GDP GROWTH FORECAST

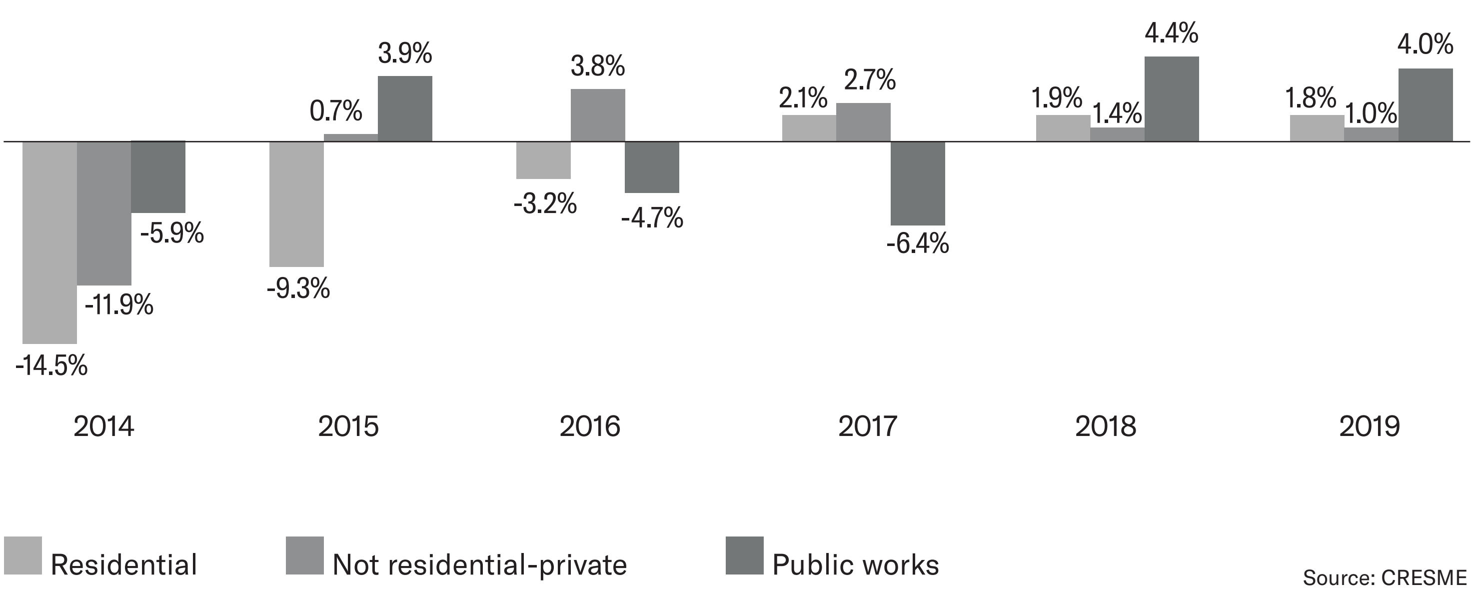


Source: CRESME processing of various sources.
The first release for 2017 & 2018 refers to the months April-July 2017, the second to the period September-November 2017.

With respect to infrastructure, the latest CRESME report states that the Italian construction sector has started to recover despite some persisting structural weaknesses. Although 2017 saw a reduction in investments in public works, the new forecasts include a reversal in this trend and a steady move towards more investment starting from 2018. The report shows that scheduled investments for the period from 2018 to 2033 approximate €150 billion.

Investments in public works decreased in 2016 and this trend continued into 2017, especially for new works (-5.6% in 2016 and -8.3% in 2017). This trend should reverse in 2018 with an upturn in investments for public utility works. The CIPE's (interministerial committee for economic planning) approval of the financing for some large infrastructure projects, such as the high speed Milan - Genoa railway project (COCIV) and the high speed Verona - Padua railway project (IRICAV DUE), appears to confirm this expected about-turn.

ITALY: INVESTMENTS IN NEW BUILDINGS - % CHANGE ON VALUES AT CONSTANT PRICES



Source: CRESME

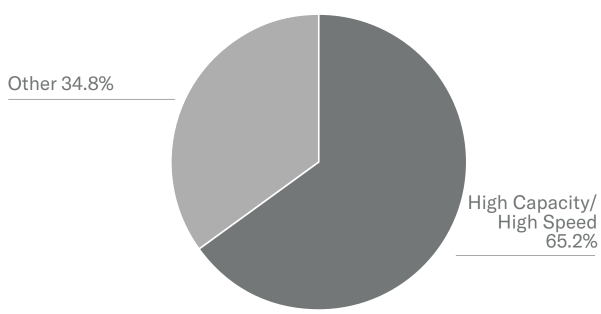
Construction

The order backlog for the Italian construction segment is as follows:

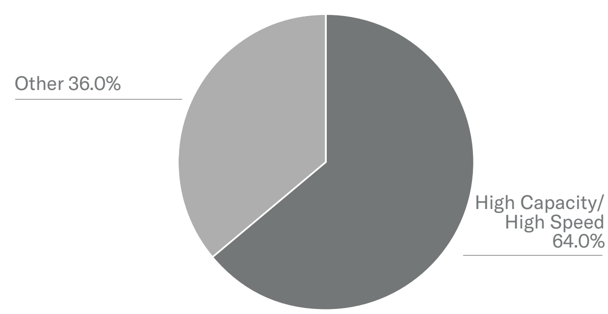
(Share in millions of Euros) **PROJECT**	Residual order backlog at 31 December 2016	Percentage of total	Residual order backlog at 31 December 2017	Percentage of total
High speed/capacity	5,652.8	65.2%	5,419.1	64.0%
Other projects	3,019.2	34.8%	3,044.8	36.0%
Total	**8,672.0**	**100.0%**	**8,463.9**	**100.0%**

The following chart provides a breakdown of the order backlog by type of business:

Breakdown of the order backlog 31 December 2016



Breakdown of the order backlog 31 December 2017



(Share in millions of Euros) **PROJECT**	Residual order backlog at 31 December 2016	Percentage of completion	Residual order backlog at 31 December 2017	Percentage of completion
COCIV Lot 1-6	3,552.3	21.7%	3,376.9	28.3%
Iricav 2	2,096.0	0.1%	1,690.3	0.2%
Other	4.5		351.9	
High speed/capacity	**5,652.8**		**5,419.1**	
Broni - Mortara	981.5	0.0%	981.5	0.0%
Metro B	898.5	0.1%	898.5	0.1%
Jonica state highway 106	336.9	2.8%	335.8	3.1%
Milan metro Line 4	373.3	26.4%	335.1	37.1%
Other	429.0		493.8	
Other work in Italy	**3,019.2**		**3,044.8**	
Total	**8,672.0**		**8,463.9**	

High-speed/capacity Milan - Genoa railway project

The project for the construction of the Giovi third railway crossing of the high speed/capacity Milan - Genoa railway line was assigned to the COCIV consortium as general contractor by RFI S.p.A. (Rete Ferroviaria Italia, formerly TAV S.p.A. - as Ferrovie dello Stato's operator) with the agreement of 16 March 1992 and subsequent rider of 11 November 2011.

Salini Impregilo is the consortium leader with a percentage of 68.25%.

The works began on 2 April 2012 and the contract is worth approximately €4.7 billion.

It is split into six non-functional construction lots for a total of roughly 120 months including the pre-operating/inspection phase.

During the year, RFI delivered the fourth construction lot roughly two months behind schedule, increasing the total value of the works and activities financed and under construction to €2.7 billion, €1.1 billion higher than the active lots (1, 2 and 3).

On 22 December 2017, the CIPE authorised the commencement of works for the fifth and sixth construction lots, allocating the related financial resources. RFI's effectiveness notices should be received on 2 May 2018 and 2 May 2019 for the fifth and sixth lots, respectively. The CIPE's authorisation at the start of the works for the last two construction lots covers the entire contract amount of €4.5 billion.

In line with the contract terms, five public calls to tender were made for roughly €1.3 billion during the year for the operating activities.

Information about the orders issued by the Rome and Genoa public prosecutors which, inter alia, involved certain parties related to the consortium is available in the "Main risk factors and uncertainties" section.

High-speed/capacity Verona - Padua railway project

The IRICAV DUE consortium is RFI's general contractor for the design and construction of the high speed/capacity Verona - Padua section as per the agreement of 15 October 1991. Its role was confirmed by the arbitration award of 23-26 May 2012, which has become definitive.

Salini Impregilo's current involvement in the consortium is 34.09%.

On 14 April 2017, the Superior Council of Public Works issued its positive opinion on the project, while the environmental compatibility opinion had been obtained on 25 November 2016.

During the year, RFI and the general contractor finalised their negotiations and adjustments to the definitive project for the first sub-section Verona - Vicenza junction.

On 22 December 2017, after the Ministry of Infrastructure and Transport completed its inspection, the CIPE approved the definitive project for the first functional lot, the Verona - Vicenza junction, of the high speed/capacity Verona - Padua railway section, worth approximately €2.2 billion. It authorised commencement of the first construction works for roughly €850 million.

The signing of the rider to the agreement and the related start-up of the site work is slated to take place during the first half of 2018.

The works are worth €5 billion.

Outlook for 2018

In line with the new direction taken in 2016, the 2017 Economic and Financial Document (DEF) divulges the strategies to define Italy's infrastructure requirements up until 2030, redefining all its priorities with a list of 119 projects split into six areas: railway, roads, ports and freight terminals, airports and "rail therapy" in 14 cities and bicycle paths.

Salini Impregilo is ready to take on the government's challenge, drawing on its expertise and strong local roots.

The aforementioned strategies include some of the Group's major ongoing projects such as the high speed/capacity Milan - Genoa railway section and that of Verona - Padua, as well as new contracts for the high speed/capacity Naples - Bari section, for which a joint venture led by Salini Impregilo (with a 60% share) was awarded the first Naples - Cancello section worth approximately €400 million. The related contract with RFI was signed on 18 December 2017 and development of the executive project has started, scheduled for completion within 180 days. Therefore, the works will start before 30 June 2018. In addition, on 2 November 2017, RFI informed Salini Impregilo, as leader of a consortium in which it has a 51.3% interest, that it had been awarded the Bicocca - Catena Nuova railway line section project as part of the contract to double the tracks for the Palermo - Catania railway line. The project is worth approximately €186 million.

The Group does not limit itself to infrastructure. It is also engaged in acquiring orders in the commercial building sector, thus availing of development opportunities mostly created by the growth of Italy's large metropolitan areas. In partnership with a leading group of investors and acting as contractor, Salini Impregilo signed a contract on 28 July 2017 for the building of ENI's new offices in San Donato Milanese. This construction contract is worth roughly €171 million (Salini Impregilo's share: 60%).

The Group has also continued the works to build Line 4 of the Milan metro. The consideration for the civil works is roughly €1 billion, including the additional consideration, of which 50% due to Salini Impregilo.

Concessions

The Group's portfolio of concession activities in Italy mainly consists of investments in the operators still involved in developing projects and constructing the related infrastructure.

These concessions principally relate to the transportation sector (motorways, metros and car parks).

The following tables show the key figures of the Italian concessions at the reporting date, broken down by business segment.

MOTORWAYS

Country	Operator	% of investment	Total	Stage	Start date	End date
Italy (Pavia)	SaBroM-Broni Mortara	60	50	Not yet active	2010	2057
Italy (Ancona)	Dorico-Porto Ancona bypass	47.0	11	Not yet active	2013	2049

METROS

Country	Operator	% of investment	Total	Stage	Start date	End date
Italy (Milan)	Milan Metro Line 4	9.7	15	Not yet active	2014	2045

CAR PARKS

Country	Operator	% of investment	Stage	Start date	End date
Italy (Terni)	Corso del Popolo S.p.A.	55.0	Not yet active	2016	2046

OTHER

Country	Operator	% of investment	Stage	Start date	End date
Italy (Terni)	Piscine dello Stadio S.r.l.	70.0	Active	2014	2041

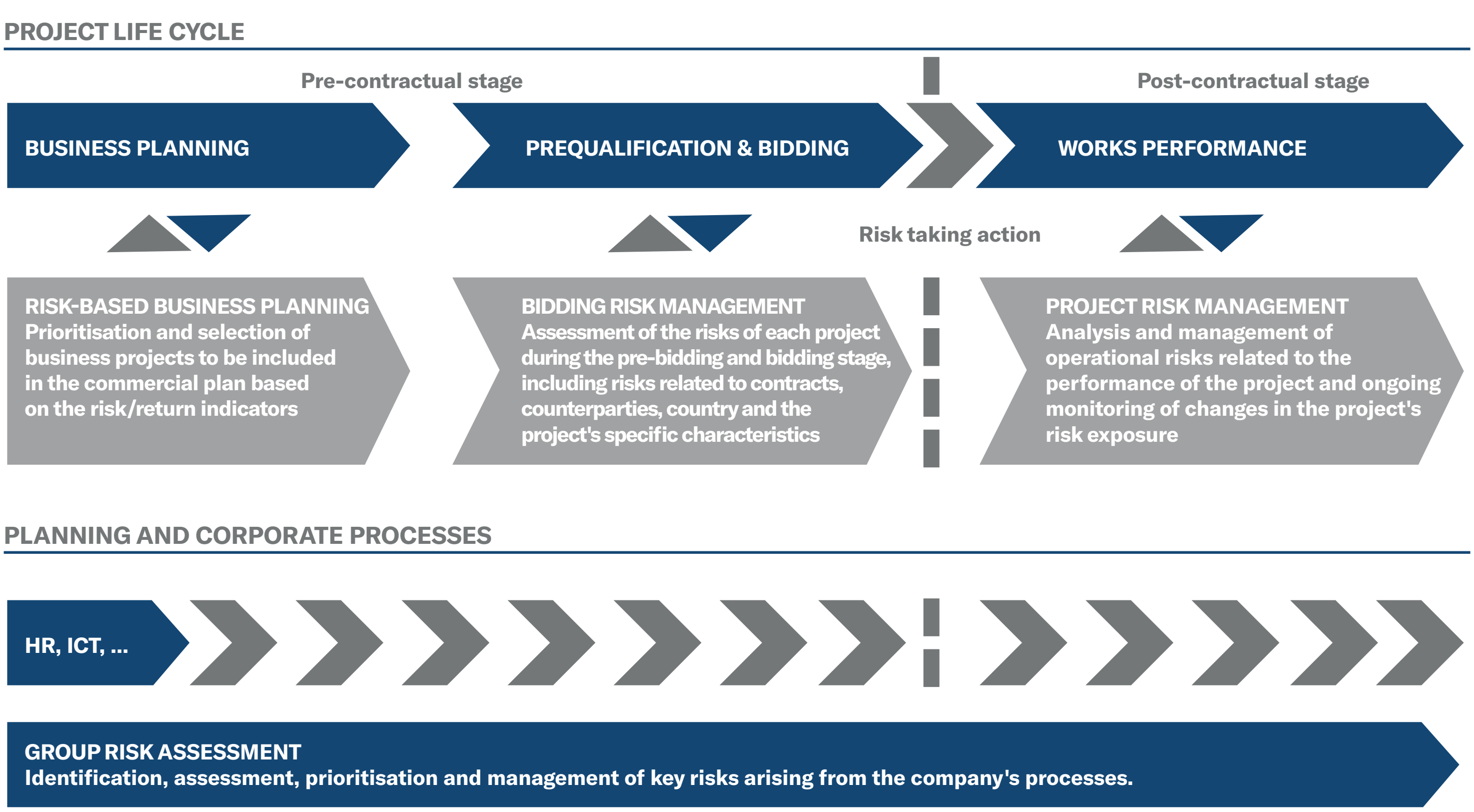
Risk management system

The context in which the Group currently operates, characterised by rapid macroeconomic changes, financial markets' instability and progressive developments of legal and regulatory compliance regulations, requires clear strategies and effective management processes aimed at preserving and maximising value.

As part of its internal controls and risk management system, the Group has a risk management framework, which it keeps up-to-date, is an integral part of internal procedures and is extended to all operating companies to identify, assess, manage and monitor risks in accordance with industry best practices.

Development, implementation and circulation of the risk management framework (presented in the following chart) is designed to assist senior management with strategic and commercial planning and operations through the comprehensive, in-depth analysis of relevant factors for the Group's business, the local contexts in which it operates and the particular operating requirements of its individual contracts, facilitating the identification and monitoring of related risks.

RISK MANAGEMENT FRAMEWORK



During the year, the Group focused on strengthening its methods and tools to analyse contract risk and to continuously include procedures for the efficient management of the most significant risks, such as country and counterparty risks (client, partner, subcontractor and significant suppliers).

In addition, as part of its risk management activities, the Group carried out risk identification and assessment procedures to check its risk exposure and ensure that it matched its strategic objectives and operating practices, thus increasing the Group's ability to create sustainable value for its stakeholders.

The risk assessment activities include monitoring the progress of mitigation actions defined in 2016 to assist senior management through the ongoing improvement of the effectiveness of decision-making processes and operations.

The 2017 risk assessment covered all risk categories and areas of potential significance to the Group, which are included in Salini Impregilo's risk universe (see following chart). The assessment showed changes in the Group's risk profile and identified management strategies to deal with the more material risks, which can be developed and introduced through specific measures.

«RISK UNIVERSE» OF SALINI IMPREGILO

BUSINESS CONTEXT

- Macro-economic context
- Socio-political context
- Sector trends
- Competition
- Regulatory development
- Technological innovation

STRATEGIC

- Business model
- Organisational structure and governance
- M&A/Disinvestments
- Portfolio management and business development
- Relationships with business partners (clients, partners, suppliers, subcontrators)
- Relationships with stakeholders and reputation

FINANCIAL

- Financial planning
- Availability/cost of capital
- Counterparty's financial reliability
- Exchange rate volatility
- Interest rate volatility
- Commodity price volatility
- Liquidity management
- Insurance management

LEGAL AND COMPLIANCE

- Legal and regulatory compliance
- Policy and procedure compliance
- Contract management
- Contractual obligations
- Internal/external fraud
- Taxation
- Claim management

OPERATIONAL

- Bids
- Engineering
- Authorisations
- Purchasing
- Logistics and warehouse
- Plant and machinery
- Site
- Natural events
- Operational reliability of the counterparty (clients, partners, suppliers, subcontrators)
- Job order planning
- Job order control
- Production management
- Human resources
- Information Technology
- Quality, health, safety and the environment
- Budget, planning and reporting

Business risks

External risks are those that may compromise the Group's achievement of its objectives, i.e. all events whose occurrence are not influenced by corporate decisions. This category includes all risks arising from a country's macroeconomic and socio-political dynamics, sector trends and competitive scenario, as well as from industry specific technological innovation and regulatory developments and the projects' long-term nature.

Because of the nature of such risks, the Group must rely on its forecasting and managing abilities. Specifically, Salini Impregilo integrates risk vision in its strategic and business planning processes through the definition of commercial and risk guidelines and the development of a process for the prioritisation and selection of initiatives to be pursued, also and above all based on the assessment of relevant risks linked to the country and/or sector in which operations are planned, rather than to the counterparty. Risk control is also ensured by monitoring the progress of strategic objectives, including in terms of composition and diversification of the portfolio and its development over time in terms of risk profile.

Strategic risks

These risks arise from strategic, business and organisational decisions that may adversely impact the Group's performance and ultimately result in the non-achievement of strategic objectives. They include risks resulting from the choice of business or organisational models through which the Group intends to operate, those arising from M&A transactions, or the ineffective management of the order portfolio or the relationships with key counterparties (clients, partners, suppliers, sub-contractors, etc.).

Salini Impregilo considers risk a key element for the preliminary assessment of decisions and strategic choices, so much so that it provided for integration of the strategy definition and development process with that for the identification, measurement and management of risks. The choices pertaining to the adoption of a business or organisational model, the assessment about the opportunity of proceeding with an extraordinary transaction or establishing a partnership are subject to preliminary analysis and evaluation of the related risks and opportunities, with the concurrent identification of risk management methods and strategies to be promptly activated should such risks arise.

Financial risks

Risks linked to the availability of group resources, depending on the management of receivables and cash and cash equivalents and/or the volatility of market variables such as interest and exchange rates are included in this category.

Specifically, liquidity management has the objective of ensuring the financial autonomy of contracts in progress, taking into account the structure of consortia and special purpose entities, which can tie the availability of financial resources to the execution of the relevant projects. Moreover, liquidity management takes into account restrictions to currency transfers imposed by the legislation of some countries.

Salini Impregilo also considers specific risk areas such as the counterparty's credit rating, raw materials price volatility and management of assurance issues, equipping itself with effective financial planning tools.

Legal and compliance risk

This risk class includes risks for the management of legal issues and/or risks related to compliance with laws and regulations (e.g. taxation, local legislation, etc.) required in order to operate in the sector and/or specific countries and the risks arising from the management of contracts with business partners. Salini Impregilo deems that monitoring contractual issues linked to contract management and, particularly, the relationship with relevant counterparties, is fundamental. This also includes any internal and external fraud risks, and, more generally, the compliance with procedures and policies established by the Group to govern its operations.

With respect to the aforementioned factors, Salini Impregilo implements a regulatory risk monitoring and management policy in order to minimise the impact of such risk, through a multi-level control system that entails collaborative and ongoing liaison with relevant counterparties and business units affected by regulatory developments and the comprehensive assessment of any potential impacts.

Operational risks

These are risks that could jeopardize value creation and are due to an inefficient and/or ineffective management of the Group's core business, particularly those linked to bid management and actual execution of contracts. The various risk areas that fall into this class include bid design and planning, effective supply chain, logistics and inventory management, as well as those linked to the management of IT systems, personnel and planning and reporting.

These risks arise during the bidding stage and/or performance of contracts, should group policies and procedures not be sufficiently adequate for the management of risk factors linked to the level of complexity of the project or unforeseeable events.
To this end, the Group intends to monitor such risks starting at the bidding stage of each contract with a risk/benefit analysis of the project in the event of its award and its impact on the portfolio structure, both in terms of risk

concentration and overall risk profile. At this time, Salini Impregilo, as part of a wider process, prepares a pre-bid risk assessment aimed at identifying potential risks and impacts linked to the project, as well as the necessary mitigation and/or contingency measures to counter them. The risk surveillance activity is then performed again at tender stage and monitored and updated during contract execution in order to promptly detect the risk exposure development and swiftly implement adequate remediation measures.

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As part of the aforementioned framework for the identification and classification of risks applicable to group operations, Salini Impregilo has adopted a cross-functional approach for the analysis of risk dimensions that are considered more relevant due to the specific features of its business. These dimensions include various risk areas identified and belonging to Salini Impregilo's risk universe.

Country risk

The Group pursues its objectives by operating almost everywhere in the world, leveraging business opportunities in different countries and hence exposing itself to the risks resulting from the characteristics and conditions dictated by them, such as the political, economic and social scenario, local regulations, taxation and operational complexity and, last but not least, safety conditions.

Being aware of and constantly monitoring country risk through specific indicators enables the Group first and foremost to define informed commercial strategies, as well as to gain an optimal understanding of the operating scenario and, therefore, adopt precautions and/or implement actions aimed at removing barriers and mitigate potential threats.

Counterparty risk

Management of counterparty risk requires identification of potential criticalities linked to relationships with the Group's clients, shareholders, subcontractors and suppliers, so as to create a comprehensive overview of the features of the partners with which Salini Impregilo may start or continue to collaborate. For each of the above counterparty types, risk factors linked to financial and operational reliability apply to a different extent, as does the potential strategic role of a partnership for a specific business initiative, as well as all legal and compliance aspects that safeguard the lawfulness of the relationship. The Group performs a counterparty analysis for each new project, involving all the competent departments and the Group Risk Officer, to obtain more precise identification of the critical issues that could arise during the contract's operational stages and more accurate planning of the possible mitigation actions.

Contract risk

The contract dimension is key for an effective analysis of all risks linked to the Group's core business, since it is considered to define tools capable of identifying and monitoring so-called contract risks starting from the bidding stage in a risk prevention perspective, as part of an in-depth analysis of the risks and opportunities linked to the pursuit of a specific activity. Another fundamental aspect is the ongoing tracking of risks once they have been consciously taken on by management, managing the resulting risk exposure in a proactive, dynamic way, as well as its ongoing development over time.

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The analysis of key risk dimensions and the related risk areas has the aim of providing management with a two-sided overview: a detailed one (i.e. at individual country, counterparty and contract level) and a portfolio one (for assessment of the overall exposure to such dimension), in order to assess the Group's risk profile as well as its compliance with the exposure limits imposed by its risk management capacity. Moreover, the portfolio overview enables the performance of systematic assessments about the potential development of the risk profile upon occurrence of certain events and/or specific choices that may result in any changes to it, through the use of dedicated risk management tools.

The risk management framework, as outlined above and subject to further and future developments, has been designed to support decision-making and operational processes at every stage of the management of projects, in order to reduce the possibility that certain events may compromise the Group's normal business operations or attainment of its defined strategic objectives: to this end, it is integrated in strategic and business planning processes, which, therefore, cannot be separated from the Group's risk profile, as well as from its choices in terms of risk appetite.

Main risk factors and uncertainties

Main risk factors and uncertainties

In addition to the areas outlined in the "Business risk management" section above, the following specific situations linked to major outstanding disputes, country risk exposure and situations characterised by risk and/or uncertainty profiles at 31 December 2017, should be added to the universe of risk events that may potentially impact on operations.

Litigation

USW Campania projects
The Group became involved in the urban solid waste disposal projects in the Province of Naples and other provinces in Campania at the end of the 1990's through its subsidiaries Fibe and Fibe Campania (the "companies").

The major issues that have characterised the Group's activities in service contracts since 1999-2000, which have been discussed in detail and reviewed in all of the reports published by the Group starting from that time, have evolved and became more complex over the years, giving rise to a large range of disputes, some of which are major and in part still ongoing. Even given the positive developments, the general situation in terms of pending disputes is still very complex. A brief overview is provided below, especially in relation to existing risk positions.

Since Fibe Campania S.p.A. was merged into Fibe S.p.A. in 2009, unless otherwise stated, reference is made exclusively to Fibe S.p.A. in the rest of this section, even with regard to positions and events that affected the merged company.

The USW Campania issue comprises various proceedings in different jurisdictions and pending at different court levels. The main aspects of the key proceedings are described below.

Administrative litigation

Recovery of the amounts owed to Fibe by local administrations for waste disposal fees up to the contracts' ope legis termination date (15 December 2005)
The special commissioner tasked by the Regional Administrative Court to collect receivables of former operators of the waste disposal service

performed until 15 December 2005 submitted their report in November 2014, in which they stated that, despite an outstanding amount payable to FIBE as a fee for its service rendered until 15 December 2005, the administration had already collected directly €46,363,800, without forwarding it to FIBE, and that total outstanding receivables totalled €74,317,550.

The Regional Administrative Court held in its ruling no. 7323/2016 that the commissioner's activities would satisfy Fibe's requests only after their work was completed and, hence, excluding the possibility that amounts collected from the administration could be paid to it. Fibe has challenged this ruling with the Council of State.

Administrative procedures for the recording and recognition of the costs for activities carried out and the work ordered by the administration during the period after termination of the service contracts
As early as 2009, Fibe filed a complaint with the Lazio Regional Administrative Court about the administrative procedures for the recording and recognition of the costs incurred by the former service contractors for activities carried out pursuant to law and the work ordered by the administration and performed by the companies during the years from 2006 to 2008 after the contracts had been terminated.

As part of the aforementioned ruling, the Regional Administrative Court appointed an inspector who, on 31 March 2014, submitted a preliminary report and then their final report on 21 December 2017 finding that, in short, the amounts stated by Fibe in its appeal and the supporting documentation were substantially consistent.

Interest on payment of the RDF plants
With ruling no. 3886 of 5 May 2011, the Lazio Regional Administrative Court upheld Fibe's appeal and ordered the administration to pay the undepreciated costs at the termination date for the RDF plants to Fibe, for a total amount of €205 million, plus legal and default interest from 15 December 2005 until settlement.

Following the enforcement order filed by Fibe and opposed by the Office of the Prime Minister, Fibe obtained the allocation of €241 million as a final payment for the receivables for principal and legal interest and suspended the enforcement procedure for the further amount of default interest claimed. Both parties initiated proceedings about the merits of the case. Following the adjournment of proceedings with the order of 17 July 2015, the dispute was discussed during the hearing of 21 October 2015. The judge rejected the request for default interest submitted by Fibe in the ruling of 12 February 2016, which Fibe challenged. The related hearing for clarification of the conclusions has been set for 8 February 2019.

Environmental disputes

As part of the USW Campania projects, the Group had to deal with a large number of administrative measures regarding reclamation and the implementation of safety measures at some of the landfills, storage areas and RDF plants. The unsuccessfully resolved proceedings are on hold pending the merit hearings. For the proceedings regarding the characterisation and emergency safety measures at the Pontericcio site, the RDF plant in Giugliano and the temporary storage area at Cava Giuliani, the Lazio Regional Administrative Court rejected the appeals filed by Fibe with ruling no. 6033 of 2012. An appeal against this ruling, based also on contamination found at a site different to those subject of the proceedings, was filed with the Council of State. It denied Fibe's precautionary motion to stay the enforcement of the decision. A date for the merits hearing has not yet been set. With respect to the Cava Giuliani landfill, the Lazio Regional Administrative Court, with ruling no. 5831/2012, found that it lacked jurisdiction in favour of the Superior Court of Public Waters, before which the appeal was summed up. Meanwhile, Fibe is continuing with the characterisation operations for the above sites, but this does not constitute any admission of liability whatsoever.

The civil litigation

In May 2005, the government commissioner filed a motion requesting compensation from Fibe, Fibe Campania and Fisia Italimpianti for alleged damage of about €43 million. During the hearing, the commissioner increased its claims to over €700 million, further to the additional claim for damage to its reputation, calculated to be €1 billion.
The companies appeared before the court and, in addition to disputing the claims made by the government commissioner, filed a counterclaim requesting compensation for damage and sundry expenses for over €650 million, plus a further claim for reputation damage quantified at €1.5 billion.

In the same proceeding, the banks that issued Fibe and Fibe Campania's performance bonds to the government commissioner also requested the commissioner's claim be dismissed and, in any case, to be held harmless by Salini Impregilo (at the time, Impregilo), which appeared before the court and disputed the bank's requests.

On 30 November 2015, the Office of the Prime Minister received a new claim form served by both Fibe and other group companies involved in various ways in the activities performed in Campania for the waste disposal service, containing claims for the damage suffered as a result of termination of the agreements in 2005.

The total amount claimed is €2,429 million. Considering that some requests are already included in other proceedings, the net amount is €2,258 million. The Office of the Prime Minister filed a counterclaim for €845 million for reasons already included in other proceedings. The court appointed an expert for an appraisal which is ongoing.

Tax litigation

Fibe's dispute about the local property tax (ICI) on the Acerra waste-to-energy plant is worthy of note.

In January 2013, the subsidiary received tax assessment notices from the Acerra municipality with respect to the waste-to-energy plant, requesting payment of local property tax and the related penalties of approximately €14.3 million for the years from 2009 to 2011. The amount requested by the municipality and challenged by Fibe was confirmed as far as its applicability but reduced in terms of its amount and penalties by the Naples Regional Tax Commission.

Although it believes that it will be able to reverse the ruling through an appeal to the Supreme Court, in 2015, the subsidiary - comforted by its legal advisors - set aside a provision for an amount equal to just the tax plus any accrued interest as a precautionary measure.

Criminal litigation

In September 2006, the public prosecutor at the Naples Court served Impregilo S.p.A. (now Salini Impregilo), Impregilo International Infrastructures N.V., Fibe S.p.A., Fibe Campania S.p.A., Fisia Italimpiant

S.p.A. (now Fisia Ambiente S.p.A.) and Gestione Napoli S.p.A. in liquidation with a "Notice of the conclusion of the preliminary investigations about the administrative liability of companies" related to the alleged administrative crime pursuant to article 24 of Legislative decree no. 231/2001, as part of criminal proceedings against some former directors and employees of the above-mentioned companies, who were being investigated for the crimes covered by article 640.1/2.1, of the Criminal Code in connection with the contracts for management of the urban solid waste disposal cycle in Campania. Following the preliminary hearing of 29 February 2008, the Preliminary Hearing Judge at the Naples Court allowed the motions for indictment presented by the public prosecutor, rejecting all the civil parties' claims against the companies finding them to be unacceptable.

As part of these proceedings, in its ruling of 26 June 2007, the Preliminary Investigations Judge ordered the precautionary seizure of the profit from the alleged crime, estimated to approximate €750 million.

The precautionary proceedings continued for nearly five years and finally ended in May 2012, without any action taken against the Group. On 4 November 2013, the Naples Court handed down a decision finding all defendants not guilty on all charges. In March 2014, the public prosecutor of Naples challenged the decision and the appeal hearing is taking place at the date of this report.

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In 2008, as part of a new investigation into waste disposal in the Campania region carried out after the ope legis termination of the contracts (on 15 December 2005), the Preliminary Investigations Judge, upon a request by the public prosecutor, issued personal preventive seizure measures against some managers and employees of Fibe, Fibe Campania and Fisia Ambiente and managers of the commissioner's office. As part of this investigation, which in the record is described both as a continuation of an earlier investigation and as separate proceedings based on new charges, the former service providers and Fisia Ambiente are again charged with the administrative liability attributable to companies pursuant to Legislative decree no. 231/01.

In the hearing of 21 March 2013, the Preliminary Hearing Judge ordered that all the defendants and companies involved pursuant to Legislative decree no. 231/2001 be committed for trial for all charges, transferring the proceedings to the Rome Court as a result of an acting judge being listed by the Naples public prosecutor as being under investigation.

At the hearing of 1 April 2014, the Rome Court acquired the ruling delivered by the Fifth Criminal Chamber of the Naples Court in the aforementioned "parent" proceedings (RGNR 15940/03). On 16 June 2016, the Court accepted the public prosecutor's request and found all the individuals involved in the proceedings not guilty. The hearing will continue for the companies involved pursuant to Legislative decree no. 231/2001.

On 23 December 2011, as the party involved pursuant to Legislative decree no. 231/01, Fibe was notified of the completion of the preliminary investigations related to another investigation by the Naples public prosecutor. The allegation relates to the charging of article 24 of Legislative decree no. 231/01 relating to the committing of the crime covered and punished by article 81 and articles 110 and 640.I/II of the Criminal Code committed jointly and with the prior agreement of the defendants (individuals) and other parties to be identified with respect to management of the urban waste water purification service using purification systems.

Fibe is accused as it has allegedly presented documents reporting among the other items related to the elimination of USW the cost of transferring leachate, while not mentioning why the leachate had been transferred to plants that did not have the necessary legal authorisation, technical qualifications and residual purification capacity.

The public prosecutor filed a motion requesting that the Preliminary Hearing Judge of the Naples Court hear the case filed and the latter, upholding the objection presented by the defence of the public bodies, ruled that it lacked jurisdiction and ordered that the record of the proceedings be forwarded to the Rome public prosecutor.

On 13 April 2015, the Rome public prosecutor requested the closure of proceedings for all defendants (both individuals and companies) and all claims. On 17 January 2017, the Preliminary Investigations Judge ordered the closure for all the individuals while the claims about the administrative offences allegedly committed by the companies were transferred to the public prosecutor that sent them to the attorney general for filing on 27 March 2017.

As the legally-established six-month period has lapsed and the attorney general has not requested any additional investigations be performed, the proceedings can be taken to have been definitively closed.

The directors' considerations about the USW Campania projects at 31 December 2017

The general situation of Salini Impregilo Group with respect to the USW Campania projects at 31 December 2017 still continues to be extremely complex and uncertain (as can be seen from the complexity of the above information).

The decisions of the administrative courts regarding the claims made for the costs of the RDF plants that had not been depreciated when the service contracts were terminated (15 December 2005) and the developments of the numerous proceedings are positive and extremely important factors because they support the Group's arguments regarding the correctness of its conduct and the resulting assessments made to date.

Taking also into account the rulings handed down by the administrative judges regarding the aforementioned environmental issues (which are still pending with regard to merit) and for which the directors, with the support of the legal advisors assisting Fibe in the various disputes, deem the risk of an unfavourable outcome to be in the realm of mere possibility, at this time, an accurate timeframe for the end of the various pending proceedings cannot be reasonably determined.

Given the complexity and range of the different disputes disclosed in the previous sections, the Group cannot exclude that events may arise in the future that cannot currently be foreseen which might require changes to these assessments.

Panama Canal extension project

With regard to this project, certain critical issues arose during the first stage of full-scale production which, due to their specific characteristics and the materiality of the work to which they relate, made it necessary to significantly negatively revise the estimates on which the early phases of the project had been based. The most critical issues related, inter alia, to the geological characteristics of the excavation areas, specifically with respect to the raw materials required to produce concrete and the processing of such raw materials during normal production activities. Additional problems arose due to the adoption by the client of operational and management procedures substantially different from those contractually agreed, specifically with regard to the processes for the approval of technical and design solutions suggested by the contractor. These facts, which were the subject of specific disclosures in previous reports published by the Group, continued in 2013 and 2014. Faced with the client's persistent unwillingness to reasonably implement appropriate, contractually provided for measures to manage such disputes, the contractor - and thus the original contractor partners - was forced to acknowledge the resulting impossibility to continue the construction activities needed to complete the project at its full and exclusive risk by undertaking the relevant full financial burden without any guarantee of the commencement of objective negotiations with the counterparty. In this context, at the end of 2013, formal notice was sent to the client to inform it of the intention to immediately suspend work if the client refused once again to address this dispute in accordance with a contractual approach based on good faith and the willingness of all parties to reach a reasonable agreement.

Negotiations between the parties, supported by the respective consultants and legal/contract experts, were carried out through February 2014 and, on 13 March 2014, an agreement was signed. The essential elements of the agreement provided that the contractor would resume works and functionally complete them by 31 December 2015, while the client and contracting companies agreed to provide financial support for the works to be finished up to a maximum of about USD1.4 billion. The client met its obligation by granting a moratorium on the refunding of already disbursed contractual advances totalling about USD800 million and disbursing additional advances amounting to USD100 million. The group of contracting companies met their obligation by directly disbursing USD100 million and additional financial resources, through the conversion into cash of existing contractual guarantees totalling USD400 million.

A - The disputes before the Dispute Adjudication Board (DAB)

At the end of 2014, the DAB (Dispute Adjudication Board), established by the parties pursuant to the contract, granted GUPC an extension of time of 176 days and an amount of USD243 million for the extra costs, as per the claims presented as Referral 11, of which USD233 million was paid in early 2015 and a further USD10 million in the last quarter of that year. In December 2015 and January 2016, the DAB accepted the claims made by GUPC on three separate occasions (Referrals 13B, 13C and 13D) of USD6.2 million, USD24.7 million and USD11.2 million. In addition, on 20 June 2016, the DAB approved another USD2.7 million with the decision about the claim presented as Referral 14D. On 20 July 2016, the DAB issued two decisions in GUPC's favour: (i) that related to Referral 14B for the Testing and Laboratory Services subcontract in which it agreed with the contractor and awarded GUPC another USD6.4 million; (ii) that referred to Referral 14C - Dewatering of Excavations, where it found GUPC's claim to be grounded and that it had the right to receive USD0.2 million.

The DAB rejected GUPC's claim about the unforeseen faults and fissures in its decision of 26 July 2016 about Referral 13A by majority vote. This claim was based on similar assumptions to those of Referral 11 and the DAB's decision (passed by majority vote) is thus contradictory to that announced for Referral 11, as shown also by the dissenting opinion of one of its three members. GUPC expressed its dissatisfaction with this decision and its claim was subsequently included in those being heard as part of another pending hearing (see the second arbitration).

Finally, with respect to Referral 14A about the physical and geological conditions of the area around the sides of the reservoir and some storage areas, the DAB's decision of 26 January 2017 (passed by majority vote) (i) rejected most of the claim made by GUPC based on similar assumptions to those of Referrals 11 and 13A and (ii) found that GUPC was entitled to a fee of roughly USD4 million compared to the requested amount of USD114 million. One of the DAB members presented a dissenting opinion and GUPC filed its dissatisfaction and commenced the related arbitration proceedings (see the "fourth arbitration").

As the DAB has not communicated a decision about the other claims within the contractual timeframe, they will be subject to arbitration.

B - Pending arbitration

There are a number of separate arbitration hearings ongoing before the International Chamber of Commerce between GUPC (with its European partners Sacyr, Salini Impregilo and Jan De Nul) and the Panama Canal Authority.

The first relates to the Cofferdam dispute and has been completed. The award, published on 31 July 2017, rejected the claims made by GUPC and the shareholders by majority vote (two against one) and ordered them to pay the legal costs (including the costs incurred by ACP) of approximately USD22 million. The dissenting member of the arbitration tribunal filed its strong disapproval of the vote criticising the interpretation of the facts and law in the award and identifying substantial errors. Together with the other shareholders, Salini Impregilo challenged the award before the Southern District Court of Florida (where the arbitration was heard) asking it be annulled. At the date of this report, the hearing was at a preliminary stage.

The second hearing covers DAB's decisions about the claims about the inadequate quality of the basalt compared to the quality guaranteed by ACP and the lengthy delays caused by ACP to approve the design formula for the concrete mix. After the stage performed to confirm the arbitration tribunal's competence to rule which ended with the award that the tribunal was competent to rule on the damages incurred by the individual members of the consortium, the merits proceedings are in progress and the hearing is scheduled for the start of 2019.

The third hearing relates to the extra costs incurred by GUPC due to certain unjustified conditions imposed by ACP for the design of the lock gates and other claims about labour costs.

The fourth hearing involves sundry claims mentioned in the completion certification. Both of these hearings, commenced on 8 December 2016, are at an initial stage (only the original process has been filed). The arbitration tribunals have not yet been constituted and no information is available at present about the hearing dates.

In July 2017, GUPC and the shareholders filed another two requests for arbitration with respect to the third and fourth arbitrations covering the same claims already made in the third and fourth hearings, respectively. These requests were filed on a precautionary basis after the 84-day deadline given to the DAB to decide on the claims expired. As the DAB did not take a decision within the contractual deadline, any decision about these claims is now to be taken by the arbitration tribunal.

There is also another dispute about the contractual advances due to ACP for which a fifth arbitration hearing has commenced. The tribunal was constituted on 9 August 2017 and its competence to decide on the disputes about the returns of the contractual advances has been approved. As part of the same proceeding, GUPC and the shareholders requested as a precautionary measure the blocking of the return of the guarantees on the advances before the merits of the dispute are decided. Concurrently, ACP commenced legal proceedings in England about the return of the advances. These proceedings are not expected to be completed before the end of 2018.

Already in previous years, the Group applied a valuation approach to the project on the basis of which significant losses to complete the contract were recognised, offset in part by the corresponding recognition of the additional consideration claimed from the client and determined based on the expectation that recognition of such consideration could be reasonably deemed to be highly probable based on the opinions expressed by its technical and legal experts and in light of the damages awarded by the DAB.

In 2017, the estimate for the extra costs to complete the project was updated, as well as the additional consideration claimed from the client (again with the support of the company's technical and legal experts).

The work to extend the Panama Canal has been substantially completed to the client's satisfaction and ACP has issued the Taking Over Certificate. The Canal was re-opened on 26 June 2016.

The Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

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As a result of critical issues about this project related to its specific features and the significance of the works, the Group had to significantly revise the cost estimates for the early stages of this project. They mainly related to the construction of the concrete works, the electromechanical works and the architectural finishings.

The negotiations with the client, assisted by their consultants and technical/legal advisors, led to the signing of an interim agreement on 30 December 2016 (which allowed the Group to collect €145 million) and other agreements (claim settlement agreement no. 7 and the additional agreement) which enabled it to collect another €40 million (for a total of €185 million) with the settlement of some claims, while the remaining outstanding claims have been referred to the arbitration proceeding provided for in the contract.

The Group has recognised all the significant extra costs to complete the contract, partly offset by the additional consideration claimed from the client, to be decided upon by the arbitration tribunal, calculated on the basis that the Group deems it highly probable that its claims will be upheld, based on the opinions of its technical and legal advisors.

However, it cannot exclude that events may take place in the future that cannot currently be foreseen and that could make it necessary to change its valuations.

CAVTOMI Consortium (high speed/capacity Turin - Milan line)

With respect to the contract for the high speed/capacity Turin - Milan railway line - Novara - Milan sub-section, the general contractor Fiat (now FCA N.V.) is required to follow the registered claims of the general subcontractor CAVTOMI Consortium (the "consortium"), in which Salini Impregilo has a share of 74.69%, against the client Rete Ferroviaria Italiana ("RFI"). The consortium carried out all design and execution activities for the project.

Accordingly, on 18 April 2008, Fiat initiated contractual arbitration proceedings against RFI for the award, in particular, of damages suffered for delays in the works ascribable to the client, non-achievement of the early completion bonus also due to the client and higher consideration. On 9 July 2013, the arbitration tribunal handed down an award in favour of Fiat, ordering RFI to pay approximately €187 million (of which about €185 million pertaining to the consortium).

RFI appealed against the award before the Rome Appeal Court on 30 September 2013 and in October 2013 paid the amount due to Fiat, which in turn forwarded the relevant share to the consortium in December 2013.

The ruling of 23 September 2015 of the Rome Appeal Court cancelled a large part of the aforementioned arbitration award. FCA appealed to the Supreme Court and issued a claims form for the revision of the Appeal Court's ruling.

Since the Appeal Court's ruling is enforceable and following the notification by RFI to FCA of a writ of enforcement of approximately €175 million, FCA and RFI reached an agreement whereby FCA provided RFI with the following guarantees in order to prevent execution of the aforementioned ruling, without prejudice to the parties' substantive rights, which are subject to final judgement: (i) payment of an amount of approximately €66 million, and (ii) issue to RFI of a bank security of €100 million (€75 million by Salini Impregilo).

The consortium is confident that its arguments will be accepted at the end of the dispute supported by the opinion of its legal advisors.

However, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

On 12 October 2017, FAC informed RFI together with the consortium of another claim form presented to the Rome Court for claims made during the contract term and not covered by the previous award.

COCIV

With the claim form notified to the COCIV consortium on 18 September 2014, the client RFI S.p.A. challenged the validity of the inter partes arbitration award of 20-21 June 2013 and also requested the return of about €108 million (approximately €74 million for Salini Impregilo) collected by COCIV as a result of the award.

The COCIV consortium appeared in court and is confident that the arbitration award in its favour will be confirmed by the ruling.

The Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

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On 26 October 2016, some managers and employees of COCIV were arrested as were other persons (including the chairman of Reggio Calabria - Scilla S.C.p.A., who promptly resigned). The above two legal entities were informed that the Genoa and Rome public prosecutors are investigating alleged obstruction of public tender procedures, corruption and, in some cases, criminal organisation. Specifically, the proceeding before the Genoa Court (involving COCIV managers and employees) covers alleged obstruction of public tender procedures for supplies or works on individual lots (for which the public prosecutor also intends to investigate the parent's CEO) as well as two cases of corruption. The proceeding before the Rome Court relates to the alleged bribery of works management in order to encourage the works manager (also under investigation) to perform acts contrary to their official duties.

As a precautionary measure and to demonstrate its non-involvement in the crime, a clean break with the past and full collaboration with the authorities, COCIV has implemented the following measures and actions:

- replacement of the individuals involved in the proceedings and withdrawal of their proxies;
- dismissal or suspension of these employees;
- ban on their access to work premises or corporate e-email or any document archives;

- lapse of all the contracts that showed their reprehensible conduct as per the remand orders;
- cancellation of ongoing tenders and an awarded tender to call them again after a clear-cut break with the past;
- termination of the contract with the works management service provider and temporary appointment, with the consent of RFI S.p.A., of two experts to perform this service, while communicating its willingness to transfer this duty (currently carried out by the consortium as per the contract) to the client, as per its request;
- on 19 January 2017, appointment by RFI S.p.A., upon COCIV's request, of a person identified by it to participate in the tender boards for the work that COCIV should assign under EU procedures.

On 11 January 2017, as part of the proceedings commenced on 16 November 2016, ANAC sent the Genoa Prefecture a proposal for adoption of the extraordinary measures pursuant to article 32 of Decree law no. 90/14 against COCIV. On 3 March 2017, the Rome Prefecture appointed a special commissioner for the extraordinary and temporary administration of COCIV in accordance with article 32.1.b) of Decree law no. 90 of 24 June 2014, converted with amendments by Law no. 114 of 11 August 2014 for a six-month period, which has now been extended to 15 January 2019. While the criminal proceedings before the Genoa Court are still at the investigation stage, on 31 January 2017, the Rome public prosecutor notified the completion of the preliminary investigations of the individuals involved in the alleged crimes of criminal organisation and bribery, as well as COCIV and Reggio Calabria - Scilla S.C.p.A. for the administrative offence as per articles 5 and 25 of Legislative decree no. 231/01. After the preliminary hearing, the companies' positions were cleared or not committed for trial due to faults in the related notifications and they are now the subject of another preliminary hearing. All the individuals have been committed for trial at the hearing of 7 July 2017 before the Rome Court, where the pre-trial hearing of 27 March 2018 will take place.

The consortium deems that the crimes allegedly committed by its personnel (should they be found guilty by the court) were to its detriment and were essentially committed in their own interests (and, hence, not in the consortium's interest) by fraudulently circumventing the rules in place to control its activities. Moreover, these alleged offences would not have required RFI S.p.A. to pay a larger or undue amount or create economic benefits for the consortium but rather would have required it to pay higher costs. The consortium's new structure (senior management and operating personnel) is committed to ensuring that the works can continue while concurrently dealing with the social and employment issues arising from the discontinuity measures that the consortium has had to put in place vis-à-vis the third party companies involved in the legal proceedings. The consortium has carefully checked the quality of the materials works previously carried out although this is not an issue raised by the public prosecutors. Its results are wholly in line with the findings of the expert appointed by the Genoa court, which both found the full compliance of the materials used by the consortium with the quality levels specified in the contracts and relevant legislation.

At present, the Group does not have information that would allow it to assess whether any potential developments could require modifications to the assessments made to date or the probability or scope of such developments.

The directors deem that the effects of the above measure do not affect the considerations made since 1 January 2014 about the existence of control as established by IFRS 10, confirmed by the opinion of an external consultant.

Therefore, the consortium continues to qualify as a subsidiary and is consolidated on a line-by-line basis.

Strait of Messina bridge - Eurolink

In March 2006, as lead contractor of the joint venture created for this project (interest of 45%) (subsequently merged into the SPE Eurolink S.C.p.A.), Impregilo S.p.A. (now Salini Impregilo S.p.A.) signed a contract with Stretto di Messina S.p.A. for its engagement as general contractor for the final and executive designs and construction of the Strait of Messina Bridge and related roadway and railway connectors.

A bank syndicate also signed the financial documentation required in the General Specifications after the joint venture won the tender, for the concession of credit lines of €250 million earmarked for this project. The client was also given performance bonds of €239 million, as provided for in the contract. Reduction of the credit line to €20 million was approved in 2010.

Stretto di Messina S.p.A. and the general contractor Eurolink S.C.p.A. signed a rider in September 2009 which covered, inter alia, suspension of the project works carried out since the contract was signed and until that date. As provided for by the rider, the final designs were delivered to the client and its board of directors approved them on 29 July 2011.

Decree law no. 187 was issued on 2 November 2012 providing for "Urgent measures for the renegotiation of the contracts with Stretto di Messina S.p.A. (the client) and for local public transport". Following enactment of this decree and given the potential implications for its position as general contractor, Eurolink, led by Salini Impregilo, notified the client of its intention to withdraw from the contract under the contractual terms, also to protect the positions of all the Italian and foreign co-venturers. However, given the immense interest in constructing the works, the general contractor also communicated its willingness to review its position should the client demonstrate its real intention to carry out the project. To date, the ongoing negotiations have not been successful despite the efforts made. Eurolink has commenced various legal proceedings in Italy and the EU, arguing that the provisions of the above decree are contrary to the Constitution and EU laws and that they damage Eurolink's legally acquired rights under the contract. It has also requested that Stretto di Messina be ordered to pay the amounts requested by the general contractor due to the termination of the contract for reasons not attributable to it. With regard to the actions filed at EU level, in November 2013, the European Commission communicated its decision not to follow up the proceedings, as no treaties were violated, and confirmed this on 7 January 2014, with a communication dismissing the case. As regards the civil action in Italy, Salini Impregilo and all the members of Eurolink have jointly and severally asked that Stretto di Messina be ordered to pay the amounts claimed, for various reasons, due to the termination of the contract for reasons not attributable to them. After completion of the investigation phase, the Judge referred the case to the Rome Court for the first level ruling. In the meantime, before the investigation phase had been completed, Stretto di Messina brought an action before the Supreme Court under article 41 of the Italian Code of Civil Procedure for a prior ruling on the Rome Civil Court's lack of jurisdiction. After the case had been included in the register, in order that the parties can present their cases, the court suspended ruling RG no. 16617/2013 in its order published on 2 January 2018 until the united chambers of the Supreme Court hand down their ruling on the lack of jurisdiction claimed by Stretto di Messina. In December 2017, the substitute attorney general of the Supreme Court requested that the jurisdiction of the civil judge be confirmed since the action presented by Stretto di Messina was inadmissible, tardy and groundless.

Considering the complex nature of the various legal proceedings and although the legal advisors assisting Salini Impregilo and the general contractor are reasonably confident about the outcome of the proceedings and the recoverability of the remaining assets (mainly contract work in progress) recognised for this contract, it cannot be excluded that events not currently foreseeable may arise in the future which would require the current assessments to be revised.

Romania - Orastie - Sibiu highway

Salini Impregilo has been operating in Romania since July 2011 following the start of the works for the Orastie - Sibiu highway section contract (Lot 3).

In July 2013, it was awarded a second tender for the development of Lot 2 of another highway section between the cities of Lugoj and Deva.

The two contracts are part of a wider road project called Pan-European Corridor IV, which cuts through Romania from Nãdlac (on the border with Hungary) via Pitesti and reaches Constanta, on the Black Sea. Both contracts were entered into with the Romanian National Road & Highways Company (CNADNR) and 85% financed with EU structural funds and 15% by the Romanian government.

The Orastie-Sibiu contract provided for the construction of 22.1 km of two-lane highway (plus the relevant emergency lanes). In September 2015, Salini Impregilo presented an application for arbitration to the client for claims about the extension of the original contractual delivery times and payment of an additional consideration due to unforeseeable events and the client's negligent conduct.

On 13 January 2016, with works completion at 99.9%, following a number of disputes between the parties, the client terminated the contract and enforced the contractual guarantees of approximately €13 million, motivating such unilateral decision as being due to the alleged non-resolution of non-compliances notified by works management. The aforementioned contract termination, which the parent deemed fully unfounded, was formally contested as a result. The dispute between the parties is currently being heard by the International Court of Arbitration at the International Chamber of Commerce.

The directors (also based on the advice of their legal and technical experts), believe that the parent's operations were correct and that the amounts recognised as contract work in progress and financial assets at 31 December 2017, inclusive of requests for additional consideration also part of the claim, can be collected.

Considering the uncertainties linked to the dispute stage, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

Rome Metro

As part of the contract for the design and construction of the works for the B1 line of the Rome Metro, Salini Impregilo commenced three legal proceedings in its name and as lead contractor of the joint venture against Roma Metropolitane S.r.l. and Roma Capitale requesting they be ordered to pay the disputed claims recorded during works execution, for which a technical appraisal by a court-appointed expert was provided.

The Rome Court's ruling of 22 August 2016 settled the first level proceedings involving the claims made for the Bologna - Conca d'Oro section and partly accepted the joint venture's requests, ordering Roma Metropolitane S.r.l. to pay €10,607,683.91, plus VAT and related costs.

The joint venture commenced the necessary actions to collect the receivable based on this temporary enforceable ruling. It also presented an appeal for the award of a greater amount.

The second proceeding relates to the first set of claims for the Conca d'Oro - Jonio section and is currently at the decisional phase.

The third proceeding refers to the second and last set of claims for the Conca d'Oro - Jonio section, was commenced in September 2016 and is currently at the initial stages.

The directors (also supported by their legal and technical experts) deem that the amounts recognised in contract work in progress at 31 December 2017, inclusive of the additional consideration claimed from the client and calculated based on the expectation that recognition of such consideration is probable also on the basis of the aforementioned expert opinions, are collectible.

Considering the uncertainties linked to the dispute stage, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

CONSORZIO CON.FE.MI./FERROVIENORD S.p.A. (Imprepar)
In 2005, the Milan Court found the 1988 contract between the Confemi consortium (in which Imprepar S.p.A. had an 18.26% share) and Ferrovie Nord Milano S.p.A. (FNME) for the construction of the quadrupling of the Saronno-Malpensa railway section to be void due to corruption. The Court ordered that the consortium was to return the difference of approximately €44 million between the amounts received and the value of the works performed, as well as interest calculated on the payments made. In 2011, the Milan Appeal Court substantially confirmed these amounts. While awaiting the appeal ruling, Confemi and FNME signed an agreement in 2008 deferring enforcement of the ruling until it had been passed res judicata and establishing an amount of €6 million for

the party that will be found guilty, as well as Confemi's right to request return of approximately €3 million previously paid to FNME.

On 10 May 2017, the Supreme Court handed down its ruling no. 11446/17 which (i) rejected Confemi's main appeal and (ii) accepted the first and second part of FNME's counter appeal (damage to its reputation and return by Confemi of the amounts collected as part of the review of all the contractual prices - increase of 25% - allocated to Confemi by the judges who heard the merits case). The Supreme Court has therefore reversed the Milan Appeal Court's ruling for the accepted reasons and deferred judgement about payment of the amounts of point (ii) to the same Appeal Court.

In November 2017, Confemi appealed to the Supreme Court challenging the part of its ruling no. 11446/17 where it accepted the grounds for FNME's counter appeal about the 25% reduction in the amounts to be paid to it as a review, as described above, given that Confemi deemed that a final decision on this had already been handed down during the appeal.

The ruling by the Milan Appeal Court as the referring court has been resumed by FNME. Confemi has given its lawyers a mandate to represent it in court.

On 20 November 2017, the consortium was put into liquidation.

On 24 October 2014, FNME commenced a proceeding at the Milan Court for the alleged joint liability of the consortium members together with Confemi. The Group's interest in the consortium had been obtained as a result of the parent's acquisition of the business unit related to the contract from Lodigiani S.p.A. (which also included the voided contract). Impregilo transferred its interest in Confemi to Imprepar in 2001 as part of the contribution of a business unit. Both Salini Impregilo and Imprepar have been summonsed by FNME.

Colombia - Yuma

Yuma Concesionaria S.A. (in which the Group has a 48.3% investment) holds the concession for the construction and operation of sector 3 of the Ruta del Sol motorway in Colombia.

The Group also has a 55.27% stake (through the parent - 48.97% - and Impregilo International Infrastructures N.V. - 6.3%) in the investment fund Fondo di Capital Privado - Ruta del Sol (Comparto B) set up for project financing purposes. Its investment does not give it voting rights.

On 4 January 2018, the client ANI commenced a procedure to assess Yuma's serious breaches of the concession contract (delays in carrying out the works) and whether to terminate the contract.

Yuma, on the other hand, deems that the serious breaches have been committed by ANI (late payments) and, in any case, refer to events outside its control which have led to a significant imbalance in the mutual rights and obligations of the parties to the contract that the client is obliged to rectify.

The operator commenced procedures for a local arbitration for contract variations and an international one for claims related to the construction stage. It is also evaluating whether to take additional legal action to protect its rights.

Yuma has also entered into negotiations with the banks to extend the repayment date of the COP450,000 million bridge loan (equivalent to roughly €128 million) taken out to finance the project.

The present situation with the customer ANI led to the temporary suspension of the works to build the Ruta del Sol motorway in the second half of the year by the contractor Constructura Ariguani Sas, wholly owned by Salini Impregilo Group.

Considering the uncertainties linked to the dispute stage, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

Country risk

Libya

Salini Impregilo S.p.A. operates in Libya through a permanent establishment and a subsidiary, Impregilo Lidco Libya General Contracting Company (Impregilo Lidco), which has been active in Libya since 2009 and is 60% owned by Salini Impregilo with the other 40% held by a local partner.

The directors do not deem that significant risks exist with respect to the permanent establishment's contracts as work thereon has not started, except for the Koufra airport project. Moreover, the Group's exposure is not material. The Group is also involved in the Libyan Coastal Highway project which leads to the Egyptian border for the stretch through Cyrenaica, which had not yet been started at the reporting date.

Impregilo Lidco won important contracts for the construction of:

- infrastructural works in Tripoli and Misuratah;
- university campuses in Misuratah, Tarhunah and Zliten;
- a new Conference Hall in Tripoli.

Despite the dramatic political events in Libya from February 2011, Salini Impregilo has always acted in accordance with the contractual terms.

This political upheaval has not yet subsided, impeding the subsidiary from developing its business. At present, Salini Impregilo does not expect activities to be resumed in the near future as there are also serious security problems.

The subsidiary Impregilo Lidco continues to be present in Libya and to maintain contacts with its clients, complying promptly with legal and corporate requirements. It informed its clients immediately of the activation of the force majeure clause (provided for contractually) given the situation in Libya, but the projects covered by the contracts should continue to be a priority for the country.

The clients have acknowledged the contractual rights and the validity of the claims presented for the costs, losses and damages incurred as a result of the above-mentioned unrest. Once the local situation has normalised and the country's institutions are working again, these claims will be discussed with the clients.

The impairment losses on net assets and costs incurred starting from the 2012 financial statements until the reporting date are fully included in contract work in progress. The subsidiary has presented claims to the clients for these amounts, which it deems are fully recoverable as they are due to force majeure.

In addition, the investments made to date are covered by the contractual advances received from the clients.

The subsidiary's legal advisors agree with this approach as can be seen in their reports.

No significant risks are deemed to exist for the recovery of the net assets attributable to the subsidiary, thanks in part to actions and claims filed against the clients.

This country's situation continues to be complex and highly critical, which does not allow the Group to make reliable forecasts about whether operations can be resumed in the short term.

Salini Impregilo will continue to guarantee the subsidiary's business continuity. However, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that could require changes to the assessments made to date.

Venezuela

Salini Impregilo Group has operated in Venezuela for over thirty years and has a stable presence there through its permanent organisation. It carries out important projects to develop the South American country directly or in partnerships with international partners.

The work in progress, mainly in the railway and hydroelectric sectors, relates to the following contracts:

- Railway sector:
    i) Puerto Cabello - La Encrucijada section project;
    ii) Guarico project, for the San Juan de Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections;
- Hydroelectric sector:
    i) the Tocoma dam project.

The clients for the above projects are all government agencies (the Venezuelan goverment or related bodies).

At year end, the Group's total exposure for its ongoing contracts in Venezuela amounted to €628.3 million, comprising work in progress, trade receivables and loans inclusive of the allowance for impairment set up in previous years.

Although the Venezuelan government has recently reconfirmed its intention to complete the railway and hydroelectrical projects, deemed to be of strategic interest for the country's development, these contracts have seen payment delays, temporary suspensions and rescheduling of the work to complete them over the last few years.

Venezuela's creditworthiness drastically contracted in the second half of the year due to: (i) its failure to make approximately USD200 million in coupon payments, and (ii) critical current and prospective macroeconomic data for the South American country's future development. As a result, Standard & Poor's and Fitch both downgraded the country's credit rating twice to reflect its probable default state.

Given this economic and social context, the EU Foreign Minister adopted a measure approving sanctions against Venezuela.

The USA imposed financial sanctions on Venezuela, limiting transactions with US financial institutions by the South American country.

Considering the country's situation, the Group calculated the recoverable amount of the assets recognised in its consolidated financial statements at 31 December 2017.

As described earlier, the Group's exposure amounted to €628.3 million at year end, including €113.3 million of loans and approximately €515 million of receivables for consideration accrued on work performed (this latter figure comprises €307.5 million already invoiced and recognised as trade receivables and €207.5 million recognised as contract work in progress net of advances on contract work in progress).

The Group estimated total impairment losses on these assets of €314.2 million. As it had already set up an allowance for impairment of about €22 million at 31 December 2016, it recognised an impairment loss of approximately €292 million at the end of 2017.

However, in view of the delicate and complex uncertain situation that has developed at political level, the possibility that events not foreseeable at the reporting date may arise in the future that may require changes to the assessments made to date cannot be excluded.

Nigeria

The economic crisis caused by the drop in oil prices, the country's main revenue contributor, continues to limit Nigeria's ability from investing in infrastructure.

Nigeria's construction sector, like its other production sectors, is stagnant. The unemployment rate continues to rise, as do the widespread discontent and crime. The local currency prices of imported goods have increased significantly due to the central bank's official depreciation of the Naira in July 2016 with the resulting Naira/Euro exchange rate moving from 220 to 340.

There was a slight improvement in the year with visible interest in continuing the production activities for projects deemed essential by the federal government.

In view of the present critical political and economic situation, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that require changes to the assessments made to date.

Turkey

Despite internal political tension and the serious public order situations in certain areas which culminated with the coup d'état foiled in July 2016, Turkey showed its considerable ability to deal with the critical external and internal issues during the period. With respect to the Cetin contract, for which a dispute with the client and its parent Statkraft had been commenced, leading to legal action being taken by the joint venture and the Group in Italy, France and Norway in the period from March 2016 to June 2017, a settlement agreement was signed in June 2017. This had already been enforced in part and entailed the joint termination of the contract as well as the parties' waiver of any claims for damage and payment of €33.5 million by the client to the joint venture. In addition, Salini Impregilo will receive reimbursement of the amounts it paid when the performance bond was enforced in March 2017. The work site is currently being dismantled.

With respect to the other contract, Gaziantep, also located in a "critical" area, the province and city of Gaziantep, which is an important busy industrial hub, are protected by a large Turkish security force assisted by NATO. There is a heightened risk of possible isolated terrorist actions, especially against government sites.

Ukraine

This country's political and economic situation is still extremely difficult. The continued instability has led to a serious economic recession and steady worsening in Ukraine's public finances.

Given the location of the Group's construction site for the Capital Repair M03 Kiyv-Kharkiv-Dovzhanskiy contract near Poltava, which is far away from the areas most affected by the ongoing armed conflict in the south east, the safety of contract activities has not been significantly affected. The Group is not exposed to currency depreciation risk since the contractual amounts are expressed in Euros and US dollars.

The burden of the conflict and the economic slowdown have negatively impacted the country's public debt. The unstable institutional and governmental situation affected the client's organisation (the Ukraine State Agency of Automobile Roads - Ukravtodor), which has seen the introduction of new senior managers. This made it more difficult for the Group to liaise with the client.

In addition, the parent's sale of Todini Costruzioni Generali (which had been awarded both contracts in this country) made intensive communication with the client necessary to clarify the Group's position and guarantee continuity in the Capital Repair M03 Kiyv-Kharkiv-Dovzhanskiy project. Moreover, Ukravtodor has not accepted the company's position and communicated its intention to terminate the contract in August 2016. The Group defended its position following the contractually-specified procedure. In December 2016, the dispute arbitration board, appointed to rule on the termination, confirmed its illegality. The Group took all necessary steps to reach an agreement with Ukravtodor to recommence the contract activities, although the client has rejected its overtures and has not acknowledged that ordered by the dispute arbitration board. It has refused to come to an agreement with the Group. On 7 March 2017, Salini Impregilo thus communicated the termination as contractually provided for and the dispute is currently before the Paris International Court of Arbitration.

All the subsequent applications to the dispute board were accepted and the Group has been awarded the equivalent of roughly €75 million. The dispute board decisions were sent to the Paris International Court of Arbitration.

The Group's position in Ukraine continues to be very unclear given the country's economic, political and social situation and the dispute about the Capital Repair M03 Kiyv-Kharkiv-Dovzhanskiy project.

In view of the present critical situation, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that require changes to the assessments made to date.

Events after the reporting date

This section sets out the main events that have taken place since the reporting date and not commented on earlier in this report.

Condotte

Società Italiana per Condotte d'Acqua S.p.A., which has investments in group companies, filed a petition as per article 161.6 of the Bankruptcy Law to the Rome Court. It has also reserved the right to file a final deed of arrangement proposal (with the plan and documentation required by article 161.2/3 of the Bankruptcy Law) or an application for approval of debt restructuring agreements.

On 15 January 2018, the Rome Court granted a period of up to 18 May 2018 for presentation of the above proposal. It appointed special commissioners to monitor the company's activities until this date, requiring the company to comply with a number of measures, including disclosure obligations.

Condotte has investments in the following group companies:

- Alta Velocità Torino-Milano consortium - CAVTOMI
- COCIV consortium
- CONSAVIA consortium in liquidation
- EUROLINK S.C.P.A.
- IRICAV DUE consortium
- LIBYAN EXPRESSWAY CONTRACTORS – L.E.C.
- MELITO S.C.R.L. in liquidation
- PANTANO S.C.R.L. in liquidation
- RC-SCILLA S.C.P.A.
- SALERNO REGGIO CALABRIA S.C.P.A – SA-RC .
- SCILLA consortium in liquidation

These consortia/consortium companies are carefully monitoring developments in the situation.

Outlook

The ongoing growth trend continued during 2017 even though the Group's markets are affected by numerous macroeconomic and political uncertainties, as described earlier in this Report.

The Group has an excellent order backlog for 2018 in both quantitative and qualitative terms, which will allow it to strengthen its leadership position in the large complicated infrastructure sector, confirm its number one position in the water treatment segment and its exceptional track record in the transport sector, especially in the metro, railway and road segments.

The Group's large order backlog and the encouraging expectations about growth in the infrastructure market, especially in the US, where Salini Impregilo has strengthened its base through Lane, and the ongoing rationalisation of non-core assets, ensure continuation of the Group's development as defined in its 2016-2019 strategic plan.

Its objectives may be affected by external factors that cannot currently be foreseen or controlled by management.

Report on corporate governance and the ownership structure

The corporate governance model adopted by Salini Impregilo complies with the principles enshrined in the "Corporate Governance Code for Listed Companies" approved by the corporate governance committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

More information about the corporate governance system pursuant to article 123-bis of the Consolidated Finance Act (Legislative decree no. 58 of 24 February 1998, as subsequently amended) is available in the Report on corporate governance and the ownership structure, published on the parent's website in the governance section (**www.salini-impregilo.com**).

Alternative performance indicators

As required by Consob communication no. 0092543 of 3 December 2015, details of the performance indicators used in this Report and in the Group's institutional communications are given below.

Financial ratios

Debt/Equity ratio: this ratio shows net financial position (shown with a minus sign when negative, i.e., net financial indebtedness) as the numerator and equity as the denominator. The items making up the financial position are presented in a specific table in the notes to the consolidated financial statements. The equity items are those included in the relevant section of the statement of financial position. For consolidation purposes, equity used for this ratio also includes that attributable to non-controlling interests.

Debt indicators

Liquidity and other financial assets is the sum of the following items:

a. Current and non-current financial assets

b. Cash and cash equivalents

Medium to long-term debt is the sum of the following items:

a. Current account facilities and other loans

b. Bonds

c. Finance lease liabilities

Other financial assets and liabilities is the sum of the following items:

a. Derivatives

b. The Group's net amounts due from/to consortia and consortium companies operating under a cost recharging system and not included in the consolidation scope.

Performance indicators

1. **Gross operating profit:** this ratio shows the sum of the following items included in the statement of profit or loss:

   a. Total revenue

b. Total costs, less amortisation, depreciation, impairment losses and provisions

This can also be shown as the ratio of gross operating profit to total revenue.

2. **Operating profit:** the operating profit given in the statement of profit or loss, being the sum of total revenue and total costs.
3. **Return on sales or R.o.S.:** given as a percentage, shows the ratio of operating profit (as calculated above) to total revenue.

Given the Group's optimisation of its geographical and commercial positioning, which led to its repositioning on the international market, and considering that other sector operators use a calculation method for gross operating profit different to that used previously by the Group, in order to facilitate a comparison with the figures of its key competitors, including on new markets, the Group decided to change the composition of this indicator to exclude provisions and impairment losses as, in some cases, they have a non-recurring nature. The Group deems that this new calculation method assists an understanding and the comparability of its performance indicators.

Adjusted figures

The Group monitors the key figures of Lane Group for management purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the joint ventures not controlled by Lane which are consolidated on a proportionate basis. These figures ("JV not controlled by Lane") show the status of contracts managed directly by Lane or through non-controlling investments in joint ventures.

In addition, the 2017 IFRS figures have been adjusted to sterilise the effects of the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela.

Other information

Compliance with the conditions of article 15 of the Stock Exchange Regulation

Salini Impregilo confirms that it complies with the conditions of article 15 of Consob regulation no. 20249 (“Regulation on markets”), based on the procedures adopted before article 15 was effective and the availability of the related information.

Research and development

Pursuant to article 2428 of the Italian Civil Code, we note that the Group did not undertake any research and development activities during the year.

Repurchase of treasury shares

The repurchase programme approved by the parent’s shareholders in their ordinary meeting of 19 September 2014 started on 6 October 2014. At the reporting date, the parent had repurchased 3,104,377 treasury shares for €7,676,914.46.

Related parties

Reference should be made to note 39 to the consolidated financial statements and to note 34 to the separate financial statements at 31 December 2017 for a description of related party transactions.

Non-financial Statement

Salini Impregilo S.p.A. is exempt from preparation of the Non-financial Statement as per article 3 of Legislative decree no. 254/2016 as it prepares a Consolidated Non-financial Statement in accordance with article 4 of the same decree to which reference should be made.

On behalf of the board of directors
Chairman

(signed on the original)

2017 Consolidated Non-financial Statement

Prepared in accordance with Legislative decree no. 254/2016

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

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

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

Sustainability context

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

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

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

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

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

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

They also make an important contribution to achieving the objectives of fighting climate change contained in the Paris Agreement, as they are tied to more than 60% of the worldwide emissions of greenhouse gases[2].

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

Type of economy	Drivers of demand for infrastructure
Global	• Rapid economic growth in emerging economies and developing countries • Government policies designed to meet the goals set in the Paris Agreement and the UN's SDG, which require investments for new infrastructure and the modernisation of existing infrastructure
Developing economies (low income)	• Need to increase the population's access to basic services: water, energy, mobility, housing, healthcare • Improve adaption and resilience to climate change and other social and environmental stresses • Improve connections between areas through physical and virtual infrastructures
Emerging economies (medium income)	• Rapidly growing urban population • Expansion of a middle class with rising incomes • Need to guarantee access to basic services for the new urban/middle class population • Need to eliminate the infrastructure gaps in urban areas and improve regional connections, focusing on resilient and low-carbon infrastructure
Advanced economies	• Need to modernise or replace obsolete infrastructure which no longer meets the population's needs • Rethink urban development models, rectifying previous trends that led to congested cities, reliant on private means of transport, consuming high levels of resources and with high atmospheric pollution

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

Salini Impregilo Group, a global leader in infrastructure for the water segment and a key player in the transportation and civil construction segment, helps meet the global challenges with its projects for public and private sector clients.

The infrastructure sector and Salini Impregilo's role

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

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

Stage	Activity	Parties involved
1. Planning	• Government planning (infrastructure master plan, local plans, etc.) • Private sector investment plans	• Public decision-makers • Private investors
2. Development	• Site selection for projects and preliminary design of the layout • Social and environmental impact assessments and consultations with stakeholders, if provided for • Drawing up of plans to manage and mitigate social and environmental impacts • Acquisitions of the necessary permits and authorisations • Contractor selection procedure	• Project proponents • Public authorities
3. Engineering*	• Works design • Engineering of the construction processes	• Project proponents • Selected contractors (if provided for in the tender contract)
4. Procurement*	• Procurement of the production inputs needed to perform the contract activities: - Plant and machinery - Materials and services - Labour - Subcontracts	• Selected contractors
5. Construction*	• Performance of the construction works provided for in the contract	• Selected contractors • Subcontrators
6. Operations & Maintenance	• Works management • Maintenance and upgrading • Discontinuation and dismantling	• Project proponents • Contractor (if provided for in the tender contract) • Other parties engaged by the Project proponents

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

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

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

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

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

Contractors such as Salini Impregilo enter the project development process only after the decision-making stage has been completed as this only involves the client and the public authorities. The Group takes part in selection procedures, organised by public and private clients to award the tenders, which may cover specific project activities (e.g., just construction) or the entire contract life cycle (engineering, procurement and construction).

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

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

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

Material non-financial topics

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

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

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

COMPANY ORGANISATION

Salini Impregilo's corporate governance model is based on the traditional management model and is in line with international best practices. At the end of 2017, the Company's Board of Directors had 15 members, including four women (26.6%) and ten who met the independence requirements (66.6%). The Board of Directors has three committees: the Control and Risk Committee, the Compensation and Nominating Committee and the Committee for Related-Party Transactions. The Control and Risk Committee, comprised of five independent directors, examines this Consolidated Non-financial Statement connected to the Company's activities and engagement with its stakeholders.

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

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

Code of Ethics

In 2017, the Company updated its Code of Ethics, which sets out its principles and rules of conduct that people who work for or with Salini Impregilo are required to adhere to during their everyday work.

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

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

The Code of Ethics has three sections:

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

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

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

Company policies

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

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

Quality, environment, health and safety in the workplace policy: this sets out the principles that the Company is committed to complying with during its operations in order to meet and exceed client expectations and achieve the highest level of protection for the environment and employee health and safety.

Anti-corruption policy: this comprises the anti-corruption principles to be adhered to by all employees.

The Company strengthened its commitment to human rights and workers with the **International Framework Agreement** signed in 2014 with the Italian and international trade unions of the construction sector.

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

Management and control system

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

The system is based on standards which require that:

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

Salini Impregilo has also voluntarily adopted an **integrated QEHS** (Quality, Environment, Health and Safety) **Management System** in compliance with the international standards ISO 9001, ISO 14001 and OHSAS 18001, as well an **Anti-Corruption Compliance System** pursuant to ISO 37001. An independent expert certifies these systems and more information is given about them in the subsequent sections.

Organisation, Management and Control Model

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

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

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

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

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

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

Non-financial reporting system

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

Main organisational changes

The Group strengthened its organisational model in 2017 by introducing solutions designed to optimise processes and respond to business requirements in an increasingly efficient and prompt manner.

Accordingly, it reorganised the corporate Technical Department, by strengthening the responsibility chains for the technical engineering and management services. This reorganisation aims to achieve an integrated process management model, which will provide a greater technical contribution starting from the selection of the commercial opportunities to be followed up, right through to the preparation of the bids and construction of the works.

Alignment of the other corporate departments with the new organisational model has been continued, with the roll out of reorganisation projects of staff structures and business lines, assisted by the hiring of new personnel on the market.

The Group also further honed its procedure system and tested and updated it to comply with the new organisation and changes in the reference legislation.

PERSONNEL

Internal policies

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

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

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

Main risks and management methods

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

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

Workforce

At 31 December 2017, the Group's workforce was as follows:

DIRECT WORKFORCE BY CATEGORY	Unit	2016	2017
Managers	no.	362	351
White collars	no.	7,270	7,194
Blue collars	no.	26,808	23,592
Total	**no.**	**34,440**	**31,137**

DIRECT WORKFORCE BY GEOGRAPHICAL SEGMENT	Unit	2016	2017
Africa	no.	15,072	11,273
Central and South America	no.	3,080	2,318
North America	no.	4,626	4,659
Europe	no.	3,848	3,423
Middle East, Asia and Oceania	no.	7,814	9,464
Total	**no.**	**34,440**	**31,137**

At year end, technical and production resources made up 77% of the workforce with office employees accounting for the other 23%. The split between open-ended and fixed-term employment contracts is 93% and 7%, respectively.

The above figures related to the Group's employees at 31 December of each year may not properly reflect the actual workforce of the related years. A more accurate indicator for companies that work on a contract basis is the total sum of hours worked by their employees, which exceeded 102 million for Salini Impregilo in 2017, up 4% on 2016.

If the indirect resources (employees of subcontractors, temporary work agencies and other service providers involved in the Group's projects) are included, the total workforce deployed by the Group in 2017 numbered 63,606 units, up 7% on 2016.

TOTAL WORKFORCE BY GEOGRAPHICAL SEGMENT	Unit	2016	2017
Africa	no.	18,022	14,619
Central and South America	no.	10,405	6,565
North America*	no.	4,626	4,659
Europe	no.	11,896	9,367
Middle East, Asia and Oceania	no.	14,670	28,396
Total	**no.**	**59,619**	**63,606**

* Figure for indirect resources unavailable.

New hires in 2017 equalled 22% while departures accounted for 56%. The latter percentage includes personnel movements due to the transfer of resources and skills among group contracts depending on their construction phase. The highest employee movements were seen in the Middle East and Africa due to the start-up of new projects and the delivery/completion of design stages of existing projects.

Recruitment and employer branding

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

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

Salini Impregilo introduced a dedicated recruitment application (SAP Success Factors) to better map the process and ensure its transparency. During the year, the Company set up a Group Recruiting Unit within the Group HR, Organisation and QHSE Department, which coordinates the teams that perform recruitment activities at head office, geographical or contract level.

Recruitment activities, carried out using the above principles and practices, allow the Company to mitigate the risks to which it is exposed, such as the risk of not being able to fill positions due to the lack of qualified people on the market or a time lap between when the project is assigned and when work on it actually starts.

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

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

Specifically, the Company participated in the #MELOMERITO programme, designed to assist talented youngsters by reinventing how they interact with the Company and using language readily understood by the Millennial generation. The top competitors were invited to a special Recruiting Day and included in the selection process.

For the third consecutive year, Salini Impregilo confirmed its "Best Employer of Choice" ranking at fifth place in the 2018 general classification. This continued inclusion in the category bolsters the Group's reputation on the labour market and its appeal as an employer of choice, assisted by the ongoing communication of its job vacancies and intense recruitment activities at the main universities.

Training

The Company defines and carries out an annual corporate training programme based on an analysis of training requirements which identifies any gaps and the most appropriate training to resolve these issues. The training courses include final tests and certification when possible and/or provided for.

Introduced in 2015 to promote a new training model that would strengthen the existing skills and expertise and transmit these throughout the organisation, the Company's Learning Academy continued its activities in 2017. The main training programmes provided in the year covered induction courses on internal policies and procedures for new employees, courses on companies' administrative liability (Legislative decree no. 231/2001) and anti-corruption, health and safety, languages, the digitalisation of systems and processes, technical expertise and economic-financial issues.

The Company also strengthened its E-learning Academy, the Group's international training hub launched in 2016 as a platform to share technical and specialist know-how through e-learning courses. During 2017, the "In aula con i nostri esperti" e-learning programme was revised to include webinars and video testimonials of the main experts of the materials presented during the course.

Salini Impregilo rolled out the second edition of the master degree course "International Construction Management" (levels I and II) at the Milan Polytechnic, a leading university partner. The Master course, held entirely in English, combines classroom lessons, mostly provided by Salini Impregilo professionals, with a six-month internship in Italy and abroad under the guidance of company tutors. The 2017/2018 course includes international students (33%) and female students (30%).

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

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

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

Training hours provided in 2017 amounted to 771,910, inclusive of both classroom and on-site training and information.

AVERAGE PER CAPITA TRAINING HOURS	Unit	2016	2017
Managers and white collars	hours	27	16
Blue collars	hours	33	28
Total	**hours**	**32**	**25**

In addition to training given to group personnel, the staff of its subcontractors attended courses on QHSE subjects totalling 914,800 hours in 2017.

Remuneration

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

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

In 2017, the Company continued its performance management programme for a small group of key resources. This programme's aim is to strengthen the result-oriented culture and has three categories of objectives (company performance, department/unit performance and organisational conduct) in line with those of senior management. It provides for the definition of objectives and assessment of the results/performance. Each department is asked to meet specific objectives, which include non-financial objectives such as safety targets.

Health and safety in the workplace

Focus on health and safety in the workplace is one of Salini Impregilo's fundamental values. It has a BH OHSAS 18001 certified health and safety in the workplace management system, which defines the main processes, roles and specific responsibilities to achieve its objectives and implement its safety policies.

During 2017, the overhaul of the Corporate Quality, Health, Safety and the Environment (QHSE) Unit led to its organisational restructuring to better meet management's following objectives:

- Ensuring coordination of the HSE Management System activities to be of use to HSE teams at work sites;
- Encouraging a change in the HSE culture through a competence centre to develop policies;
- Setting up a technical safety unit to further integrate health and safety aspects within engineering processes;
- Set up a corporate health unit to monitor contracts;
- Ensuring continued health and safety operating support to the contract work sites.

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

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

- Identification and assessment of the exposure to the risk;
- Identification of the persons at risk;
- Identification of control measures to reduce the risk;
- Monitoring work areas to check that control measures are in place and effective;
- Making employees aware of these risks through information, training and communications.

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

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

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

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

The Company continued the Safety Builders programme in 2017 to encourage a strong corporate safety culture, based on strengthening leadership abilities at all management levels.

This programme, developed as part of a more wide-reaching safety communication strategy, Valyou - Our Health and Safety Way, was launched in December 2017 by the CEO and the Group's senior management team. Their objective is to encourage strong commitment from the top which will be transmitted throughout all organisational levels.

Salini Impregilo has designed and developed the programme to identify the most appropriate tools to understand and alter behaviour by encouraging prudence and dissuading conduct deemed dangerous to safety. It specifically created the programme to develop the safety leaders within the Company as they are the interface between health and safety leadership and an effective safety culture throughout the organisation. The programme includes interrelated actions that develop gradually in three stages using a top-down approach.

The Company's main workplaces celebrated the World Day for Safety and Health at Work during the year involving more than 200 employees in the Rome and Milan offices in Italy and over 3,700 people at roughly 25 group work sites which carried out programmes designed to meet the specific requirements of the operating units.

The "Monthly Best Site HSE Award" continued for the project to build Line 3 of the Riyadh metro (Saudi Arabia) during the year. Every month, the project team (including the subcontractors) that achieves the best HSE results is rewarded. This project has also received external recognition, such as three "Health and Safety Awards" from RMTC (the client's engineering consultant) and a "Best HSE Performance" award which is assigned monthly by the client to the best performing consortium of those involved in building the metro projects in Riyadh.

Other projects in the Middle East, like the Red Line North Underground in Doha (Qatar) and the airport projects in Dubai (Al Maktoum) and Abu Dhabi also clocked up significant results in terms of the hours worked without injuries during the year.

The injury rates are set out below covering both the Group's employees and those of its subcontractors.

FREQUENCY RATE (FR)	Unit	2016	2017
Africa	FR	12.28	6.59
Central and South America	FR	12.56	9.96
North America	FR	1.47	0.83
Europe	FR	13.27	15.75
Middle East, Asia and Oceania	FR	1.10	1.03
Global	**FR**	**7.34**	**4.76**

Note: Reference should be made to the section "Methodology for reporting non-financial information" for details of how the rate is calculated.

LOST DAY RATE (LDR)	Unit	2016	2017
Africa	LDR	0.13	0.03
Central and South America	LDR	0.12	0.10
North America	LDR	0.06	-
Europe	LDR	0.33	0.41
Middle East, Asia and Oceania	LDR	0.02	0.02
Global	**LDR**	**0.10**	**0.06**

Note: Reference should be made to the section "Methodology for reporting non-financial information" for details of how the rate is calculated.

During the year, the Company's commitment to this issue allowed it to achieve significant results with decreases in both rates: 35% for the frequency rate and 38% for the lost day rate.

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

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

HUMAN RIGHTS

Internal policies

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

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

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

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

Salini Impregilo guarantees its employees their right to freedom of association and collective bargaining in accordance with the legislation applicable in the country where they work. It adopts a positive approach to labour organisations and an open attitude to trade unions and their activities.

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

Main risks and management methods

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

The framework agreement covers child labour, forced or compulsory labour, the freedom of association and collective bargaining, non-discrimination, work hours, economic treatment, work conditions, specialised training, the environment, welfare and employment relationships. The Company agreed to authorise access to its work sites by trade union representatives after local agreement with the project and to adopt the most efficient process should a BWI member request a trade union be recognised. The agreement also provides for monitoring and assessment tools to be used by the Company and the trade unions, which meet at least once a year to discuss them.

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

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

- Use of recruitment agencies that oblige the workers to pay recruitment fees (when hired), employment fees (throughout their employment) and cash deposits which are forms of debt (debt bondage);

- Labour conditions that limit the migrant workers' freedom of movement which are allowed or facilitated by local regulations, such as the ban on leaving their accommodation outside work hours, limitations on holiday arrangements, resignations and changes of employer.

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

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

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

When possible, the Group provides its workers with conditions that are better than the standards envisaged by local regulations. For example, to facilitate the reconciliation of employees' personal requirements with organisational and production requirements, it signed an agreement with the trade union representatives of the Rome and Milan offices providing for the use of parental leave on an hourly basis starting from 1 December 2017. In addition, Isarco S.C.a.R.L. signed an agreement with its trade unions to amend and integrate a trade union agreement about work hours to allow workers to return home more frequently.

As part of the integration process of the Milan and Rome offices, commenced in September 2015 and still ongoing, the Company extended the voluntary redundancy procedure introduced in previous years until 30 November 2018, with the relevant trade unions' agreement, and offered it to those employees who meet the legal requirements for retirement in the period from 1 July 2017 to 30 June 2018.
The Company has not received any reports, either directly or through the trade unions, alleging grounded violations of minimum working conditions.

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

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

EMPLOYEES BY AGE	Unit	2016	2017
< 30 years	%	32%	28%
30-50 years	%	54%	57%
> 50 years	%	14%	15%

EMPLOYEES BY GENDER	Unit	2016	2017
Men	%	91%	91%
Women	%	9%	9%

The women's employment rate is affected by the construction sector's characteristics, as it is traditionally a male domain. At group level, women make up 7% of the management team, 20% of white collars and 6% of the blue collars, while at functional level, they represent 4% of the technical and production staff and 28% of the office employees. The presence of female employees is higher at the central Milan and Rome offices, where they make up 35% of the total workforce. The number of women managers increased by 27% from 2015 to 2016 at these central offices and grew again by 7% in the two years from 2016 to 2017. The average remuneration received by women compared to that received by men in 2017 was 72% for the managers and 87% for the office female employees. This percentage is affected by the fact that the male employees have greater seniority to the female employees.

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

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

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

Lane received recognition as "Employer of the Year" during the year as part of the PIECE - Partnership for Inclusive Employment and Career Excellence project.

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

With respect to security, the Company carries out specific risk analyses during calls to tender and/or the start-up of contract work in accordance with specific internal guidelines. When local requirements require specific monitoring, the work site is given a security unit that develops tailored action plans and hires the personnel needed to ensure the safety of the Company's employees and assets, as well as the continuity of operations and information. Specifically, security personnel may be employees or personnel provided by third parties, who are usually unarmed, or by personnel supplied by the army or local police departments.

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

Depending on the nature of the project, the security unit and local management define the best way of involving the local stakeholders, mostly through formal meetings, informal meetings and discussions, training and official events. No significant issues related to security management were raised by the stakeholders in 2017.

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

The Corporate Social Responsibility Department provides specialist assistance with human rights issues at centralised level. As required by the UN's Guiding Principles on Business & Human Rights, the Company mapped the impacts on human rights that could potentially derive from its activities in 2016. This procedure was continued in 2017 with a risk assessment of the group employees' human rights, which covered all the geographical areas where the Group operates and the findings of which are described herein.

ENVIRONMENT

Internal policies

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

Salini Impregilo's environmental policy is designed to ensure:

- compliance with applicable legal requirements and any other agreed-to requirements;
- identification and assessment of environmental aspects tied to the Company's operations and evaluation of the related significant impacts;
- development, implementation and ongoing improvement of the environmental management system;
- identification of all the technical and organisational measures designed for the rational use of natural resources (e.g., raw materials, energy and water) and the mitigation of pollution, greenhouse gas (GHG) emissions, waste generation and inconvenience to the local communities as well as the effective restoration of work sites upon completion of projects;
- involvement and participation of all employees or people who work for the Company through actions to make them aware of the issue, the dissemination of information and training courses.

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

Main risks and management methods

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

The main environmental risks facing the Company (generated by external factors) arise from changes in the applicable environmental legislation, the inconsistent interpretation of applicable legislation by the competent local authorities, incomplete and/or insufficient environmental impact assessments for projects (which should be performed by the client) or adverse environmental or geological conditions (e.g., extreme weather events, actual conditions differing from those anticipated during the tender procedure).

To monitor these risks, Salini Impregilo has an environmental management system, which complies with the ISO 14001 standard and has been certified by an independent certification body. To ensure that the significant environmental impacts are properly identified, managed and mitigated, the system incorporates a number of environmental management procedures that have to be implemented by the Group's production companies, after being revised to comply with the applicable regulations or contracts.

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

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

In 2017, projects affected by these standards accounted for 17% of the total and the more important ones included the Red Line North Underground in Doha, Qatar, which uses the GSAS (Global Sustainability Assessment System)

system, two stations of Line 3 of the Riyadh metro in Saudi Arabia which use the LEED (Leadership in Energy and Environmental Design) standard, the Maydan One Mall, Dubai project which uses the Green Buildings Regulations and Specifications standard, the Northwest metro in Sydney, Australia which uses the IS (Infrastructure Sustainability) system and which received the IS Leading rating for sustainable design resilient to climate change in 2015. In 2017, Salini Impregilo was awarded the Sustainability Award 2017 by the Qatar Green Building Council in the Best Green Building Contractor category for the Red Line North project in Doha. The joint venture involved in building the metro line also received the Certificate of Sustainability Excellence. The Anacostia River Tunnel Project in Washington, D.C. (USA) was given the Sustainability Initiative of the Year award by the International Tunneling and Underground Space Association (ITA), also in 2017.

During the start-up of a new contract and based on the planned work, an environmental risk assessment is performed to identify significant environmental aspects, i.e., those aspects that could have a significant impact on the environment. Their identification and assessment of the significance of their impact as well as the subsequent definition of impact management and mitigation measures take place in line with specific procedures. The significance of environmental impacts is assessed using a method based on an analysis of specific critical factors, such as the existence of special regulatory or contractual requirements, assessment of the related risk, management of the impact and the area's sensitivity to the specific environmental aspect.

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

- Natural resources, energy and GHG emissions;
- Soil, subsoil and water environment;
- Waste and use of hazardous substances/preparations;
- Atmosphere;
- Noise and vibrations;
- Biodiversity, cultural heritage and environmental restoration.

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

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

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

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

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

To guarantee senior management's effective involvement, the Company set up a QHSE Committee comprising the HR, Engineering, Operation and QHSE managers. This Committee sets the policies, objectives and strategic communications to disseminate the QHSE culture and the operating guidelines.

The QHSE Unit is also in charge of the environmental management system at corporate level and provides technical assistance about environmental matters.

During 2017, the Unit's reorganisation led to the setup of a Corporate Environment Unit which directs the contracts.

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

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

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

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

Natural resources, energy and GHG emissions

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

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

The main raw materials used are shown in the following table:

MATERIALS USED	Unit	2016	2017
Aggregates	t	18,414,529	23,018,778
Bitumen	t	320,777	245,468
Cement	t	1,144,950	558,395
Concrete-reinforcing bars	t	2,788,974	506,843
Ready-mixed and pre-cast concrete	t	3,938,005	5,500,060
Ready-mixed asphalt	t	393,524	1,083,235
Total non-renewable materials	**t**	**27,000,759**	**30,912,780**

WATER USE	Unit	2016	2017
Wells	m^3	1,793,658	2,399,423
Rivers	m^3	9,713,951	10,640,606
Lakes	m^3	184,384	383,197
Sea	m^3	-	5,014
Aqueducts	m^3	1,610,059	2,864,234
Total	**m^3**	**13,302,052**	**16,292,474**

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

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

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

ENERGY CONSUMPTION	Unit	2016	2017
Non-renewable energy sources			
Diesel	GJ	5,413,144	5,959,115
Petrol	GJ	376,215	646,560
Kerosene	GJ	2,560	42,945
Natural gas	GJ	1,889,982	2,033,091
Electricity	GJ	454,429	375,059
Total consumption from non-renewable energy sources	**GJ**	**8,136,330**	**9,056,769**
Renewable energy sources			
Electricity from renewable sources	GJ	322,438	254,958
Total internal energy consumption	**GJ**	**8,458,768**	**9,311,728**
Energy consumption - subcontractors	GJ	1,708,122	1,964,079
Total	**GJ**	**10,166,890**	**11,275,807**
Energy intensity	**GJ/€m**	**1,728**	**1,846**

DIRECT AND INDIRECT GHG EMISSIONS	Unit	2016	2017
Direct emissions (Scope 1)	$tCO2_e$	534,974	566,952
Indirect emissions (Scope 2)	$tCO2_e$	40,858	43,388
Other indirect emissions (Scope 3)	$tCO2_e$	129,080	137,577
Total	**$tCO2_e$**	**704,912**	**747,917**
Intensity of GHG emissions	**$tCO2_e$/€m**	**120**	**122**

Lane has a policy to increase the environmental efficiency of its asphalt production plants by using recycled asphalt in the production cycle and increasing the percentage of asphalt produced using the WMA (Warm Mix Asphalt) method, with a lower than normal temperature that generates energy consumption savings and less emissions.

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

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

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

Soil, subsoil and water environment

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

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

Industrial waste water is channelled and collected in sedimentation tanks and treatment plants designed to comply with the applicable legal and contractual provisions as well as the waste water's specific characteristics.

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

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

Waste

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

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

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

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

TOTAL WASTE BY ACTIVITY	Unit	2016	2017
Construction and demolition waste	t	210,486	593,188
Excavation waste	t	3,309,229	7,004,018
Waste from support activities	t	80,210	172,499
Total non-hazardous and hazardous waste	**t**	**3,599,925**	**7,769,705**

TOTAL WASTE BY TYPE AND DESTINATION	Unit	2016	2017
Non-hazardous waste			
Recovery, re-use and recycling	t	935,373	2,565,843
Incineration	t	3,478	4,275
Landfill	t	2,631,689	5,188,936
Total non-hazardous waste	**t**	**3,570,540**	**7,759,054**
Hazardous waste			
Recovery, re-use and recycling	t	10,091	4,057
Incineration	t	2,428	679
Landfill	t	16,866	5,914
Total hazardous waste	**t**	**29,385**	**10,650**
Total non-hazardous and hazardous waste	**t**	**3,599,925**	**7,769,705**

Almost all the waste produced is from excavations, which varies depending on the projects' characteristics which the Group cannot influence as they are decided by the client.

The increase in waste in 2017 is mainly due to the inclusion of the Group's Rogun contract in Takijistan and that of the Fisia Alkatas consortium in Turkey in this Statement's scope as well as the excavation activities for the Riyadh metro in Saudi Arabia and completion of the NorthWest Rail Link in Australia (IS Joint Venture), with the related dismantlement of the work site.

Atmosphere

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

Other sources of air pollution are the unloading of site equipment and plant.

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

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

Noise and vibrations

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

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

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

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

Biodiversity, cultural heritage and environmental restorations

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

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

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

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

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

Environmental restoration activities may include reforestation and

PROTECTION AND RESTORATION ACTIVITIES	Unit	2016	2017
Reforested area	m^2	491,990	293,281
Trees planted	no.	32,802	95,985
Areas where the topsoil was restored	m^2	579,787	3,304,357

indigenous species are usually used. The main restoration activities performed by the Group are shown below:

In 2017, the Group carried out reforestation activities mainly for the Ethiopian Gibe III and, to a lesser extent, Koysha contracts, the Danish Cityringen project, Lane's projects in the US and the North West Rail

Link project in Australia. Topsoil was replaced in the Gerd (Ethiopia) and Ruta del Sol (Colombia) projects as well as at the other above-mentioned projects.

ANTI-CORRUPTION

Internal policies

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

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

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

Main risks and management methods

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

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

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

The Compliance Unit monitors the Anti-corruption System. It draws up an annual Compliance Plan, which sets out the Company's goals to ensure achievement of the general objectives and ISO 37110 recertification. The Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control System all check the Compliance Plan as does the Integrity Board for the aspects related to Legislative decree no. 231/2001.

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

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

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

The Compliance Unit performs an anti-corruption risk assessment by specific process for the Company as part of the risk assessments necessary to regularly update the 231 Model. The assessment is performed for the other Group's companies (subsidiaries, consortia, joint ventures, etc.) using a scope defined on the basis of the CPI (corruption perception index) assigned to the country where the Group's companies operate and how long their compliance system has been in place. Roughly 86% of the legal entities making up Salini Impregilo Group were included in the Anti-corruption risk assessment scope in 2017.

The procedures specifically designed to monitor the above risks include the Guidelines for the Assessment of Relevant Third Parties and the Management of Benefits to third parties, which define valuation procedures applicable to potential counterparties before a contract is signed. Specifically, with respect to gifts given to third parties, the Company has set price limits while it has an authorisation process in place for sponsorships and donations to monitor these initiatives and ensure their compliance with the Code of Ethics.

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

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

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

In 2017, just one notification was received notifying the Company of an attempted act of passive corruption related to officials of an external consortium. The Group commenced an internal investigation to check the circumstances in which this attempted violation took place, after which it took the necessary steps involving the HR Department. As a result of these measures, it was found that the alleged act of corruption did not take place.

The Company requires that all new employees receive the mandatory Anti-corruption training as part of a wider programme about Compliance. During the year, Company's employees attended a vast range of courses for more than 3,800 hours on Anti-corruption and the 231 Model.

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

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

SUPPLY CHAIN

Internal policies

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

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

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

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

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

Main risks and management methods

In 2017, the Group agreed contracts with more than 6000 suppliers from roughly 59 countries. The main supply categories related to subcontracts, materials, machinery and equipment and services.

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

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

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

The supplier qualification procedure is an important part of the procurement process. Its aim is to assess whether the potential supplier meets the Company's criteria so that it can be included in the Vendor List. This qualification procedure also ensures that the Group's requirements are met for all goods categories and in all relevant geographical areas.

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

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

Based on these questionnaires, the Procurement Department may proceed with specific analyses and detailed checks, which can include assessment visits to the supplier's production units and offices. Other

Company departments, such as the Technical and QHSE Departments, may also participate in the visits which are designed to assess the supplier's technical and operating capabilities with special regard to the products and services of interest to the Group. They also investigate those aspects that could affect the potential partner's ability to comply with its contractual commitments.

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

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

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

In 2017, the Corporate Procurement Department checked 5,200 suppliers to verify their integrity, classification of their know-how and reference lists. At global level, analyses of social and environmental parameters were performed for 1,570 suppliers.

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

Once the contract has been signed and is effective, the Company monitors the performance of its key suppliers using a special assessment process, involving the head office's Procurement Department and the contract managers. It assesses suppliers once a year. In 2017, these assessments involved 71% of the Company's ongoing contracts, covering 83% of the procurement expenditure.

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

Involvement of the subcontractors in these issues also takes the form of regular coordination meetings and the participation of their employees in the classroom and on-site QHSE training courses (914,800 hours in 2017).

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

This includes the annual supplier meeting attended by the Group's Italian and international employees and suppliers when the main procurement practices are presented. The Company presented, inter alia, the process to assess suppliers' performances during the 2017 meeting to inform them about the increasing attention paid by the Company to developing long-term relationships that allow the suppliers to grow and ensure their constant improvement.

The Company continued its innovation days in 2017, which are appointments with individual suppliers attended by head office employees. They are an opportunity for the supplier and the Company to discuss their experiences about new technologies, products, innovative processes and other matters of mutual interest.

SOCIAL ASPECTS

Internal policies

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

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

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

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

Main risks and management methods

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

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

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

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

The manner in which interaction takes place with the local stakeholders is defined in the contracts and the Group is obliged to scrupulously abide by their provisions.

Employment created by the Group's projects

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

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

In 2017, 70% of the 31,137 direct employees were hired locally.

DIRECT EMPLOYEES HIRED LOCALLY	Unit	2016	2017
Africa	%	95%	95%
Central and South America	%	93%	90%
North America	%	99%	100%
Europe	%	78%	86%
Middle East, Asia and Oceania	%	13%	14%
Average	**%**	**75%**	**70%**

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

In 2017, local managers made up 69% of the total, reaching 100% in North America and 87% in Europe. In addition to the direct workforce, the involvement of indirect personnel contributes significantly to the employment generated locally. Indirect workers involved in group projects numbered 32,469 in 2017.

Local procurement

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

In 2017, the Group maintained a strong relationship with its local supplier chain, with roughly 88% of its expenditure made with local suppliers.

LOCAL PROCUREMENT	Unit	2016	2017
Africa	%	41%	40%
Central and South America	%	88%	82%
North America	%	100%	100%
Europe	%	79%	90%
Middle East, Asia and Oceania	%	93%	86%
Average	**%**	**85%**	**88%**

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

Initiatives to assist local areas

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

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

The main initiatives carried out can be classified as follows:

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

The Group carried out 198 initiatives in 2017 for €1.1 million (2016: roughly €1.6 million).

INITIATIVES TO ASSIST LOCAL AREAS	Unit	2016	2017
Investments in infrastructure	no.	18	25
Social programmes	no.	154	173
Total	**no.**	**172**	**198**

Most of the initiatives were carried out in the US for social and education purposes. Other initiatives included free healthcare provided to local communities by work site clinics in rural areas in Ethiopia, Georgia, Tajikistan and Colombia. In 2017, 9,060 medical check-ups were given and 13,610 health interventions (roughly 13,200 in 2016).

In Italy, the Group donated a new school to the Valfornace community, one of the towns in central Italy hit by the 2016 earthquake. The roughly 500 square metre facility houses the pre-school, elementary school and secondary school for 120 students and has a canteen, a refectory, a multi-functional room and garden. As part of the GERD project in Ethiopia, the Group built an elementary school for the nearby Bamza community and organised various sports programmes for the local workers and local communities.

Salini Impregilo is one of the founding members of the E4Impact Foundation, involved in training new entrepreneurs in developing nations through the MBA in Impact Entrepreneurship and assisting the internationalisation of local and international SMEs in Sub-Saharian Africa. The Foundation is currently active in Kenya, Ghana, Sierra Leone, Uganda, Ivory Coast, Senegal and Ethiopia, where it has provided training to more than 500 new entrepreneurs.

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

Stakeholder engagement

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

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

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

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

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

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

In 2017, the complaint filed by the non-profit organisation Survival International in 2016 to the Italian NCP of the OECD was settled. It related to the alleged non-compliance with the OECD Guidelines for multinational enterprises of the construction of the Gibe III hydroelectric project in Ethiopia.

The OECD Guidelines are recommendations for multinational enterprises of the OECD countries containing voluntary principles and standards for responsible business conduct consistent with international law and laws applicable in the countries where the multinationals work.

Survival's complaint alleged the violation of the rights of some communities residing approximately between 300 km and 500 km downstream from the Gibe III dam, whose natural resources would be decreased when the plant operates. The OECD Guidelines specify that human rights obligations of enterprises depend on the type of business and their role. As contractor for the building of the hydroelectric power plant (opened in December 2016) and although it strongly rejects the allegations, Salini Impregilo agreed to participate in the procedure convinced that it had acted in full compliance with the OECD Guidelines. Accordingly, it made itself fully available to the Italian NCP.

In June 2017, the NCP issued the final statement closing the complaint (available on its website), stating that the Company had not violated the OECD Guidelines.

METHODOLOGY FOR REPORTING NON-FINANCIAL INFORMATION

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

Standards applied

This 2017 Consolidated Non-financial Statement has been prepared in accordance with Legislative decree no. 254/2016. The Company has used the GRI Sustainability Reporting Standards (core option), published by the GRI in 2016. This statement also constitutes the Communication on Progress (COP) to Global Compact.

Materiality analysis

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

- internal identification of the possible non-financial topics relevant to the construction sector, by analysing peers, reports published by analysts and ESG (Environmental, Social, Governance) rating agencies, sector studies and the media;
- internal prioritisation of the identified topics, by involving the main departments that participate in the non-financial reporting process;
- external prioritisation of the identified topics, by analysing engagement with the Group's main stakeholders over the reporting period, for example, questions most frequently asked by clients during the pre-qualification and tender stages, questions most frequently asked by analysts and SRI investors in questionnaires and specific applications and questions raised by the trade unions.

During 2017, the Group performed a survey of the list of the individual topics involving internal (employees) and external (suppliers, sustainability experts, non-profit organisations, analysts, etc.) stakeholders;

- approval of the relevant aspects by management involved in non-financial reporting.

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

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

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

Relevant stakeholders

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

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

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

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

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

Scope of the Statement

As established by article 4 of Legislative decree no. 254/2016, this Consolidated Non-financial Statement includes the figures of the parent (Salini Impregilo S.p.A.) and its fully-consolidated subsidiaries. The parent comprises its head offices in Italy (corporate), the directly run work sites, branches and joint operations of which it is leader. The Company has an internal procedure in place to define and regularly review the scope of the Statement based on its consolidation scope for financial reporting purposes. Specifically, it performs a materiality analysis on the list of entities making up the parent and fully-comprised subsidiaries considering the level of operations of the individual entities, which are classified as:

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

This Statement's scope includes entities classified as "operational" and "limited operations". A list of the entities included in the 2017 Statement's scope for which a non-financial reporting system was implemented is given below:

Name	Country	Name	Country
Salini Impregilo S.p.A.*	Italy	Impregilo-Sk E&C-Galfar Al Misnad JV*	Qatar
Brennero Galleriacque S.c.r.l.	Italy	Imprepar S.p.A.	Italy
Cigla Construtora Impregilo y Associados S.a.	Brazil	IS Joint Venture*	Australia
Consorcio Construtor Salini Impregilo - Cigla	Brazil	Lane Industries Incorporated*	USA
COCIV consortium*	Italy	Mercovia S.a.	Argentina
Constructora Ariguani Sas*	Colombia	Reggio Calabria - Scilla S.c.p.a.*	Italy
Copenhagen Metro Team I/S*	Denmark	Salerno-Reggio Calabria Società Consortile Per Azioni*	Italy
CSC Impresa Costruzioni S.a.	Switzerland	Salini - Impregilo Joint Venture for Mukorsi*	Zimbabwe
Fisia - Alkatas Joint Venture	Turkey	Salini Australia PTY L.t.d.	Australia
Fisia Italimpianti S.p.A.	Italy	Salini Impregilo - NRW Joint Venture	Australia
Galfar - Salini-Impregilo - Cimolai JV*	Qatar	Salini Impregilo S.p.A. - S.A. Healy Company Jose J. Chediack S.a. UTE*	Argentina
HCE Costruzioni S.p.A.*	Italy	Salini Malaysia Sdn.Bhd*	Malesia
Iglys Sociedad Anonima	Argentina	Salini Namibia Proprietary L.t.d.*	Namibia
Impregilo - Terna Snfcc Joint Venture*	Greece	Salini Nigeria L.t.d.	Nigeria
Impregilo International Infrastructures N.v.	Netherlands	Salini Polska L.t.d. Liability Co*	Poland
Impregilo New Cross Limited	UK	Salini Saudi Arabia Company L.t.d.	Saudi Arabia

The entities marked with an asterisk in the above table were also included in the reporting scope of the 2016 Sustainability Report. The other entities have been included in the reporting scope of this Statement for the first time.

More information on the in-scope entities is available in the section on the "List of companies included in the consolidation scope" in the Notes to the Consolidated Financial Statements.

The information in this Statement refer to the above scope, except for the figures about the direct workforce which relate to the consolidation scope for financial reporting purposes. The data for the joint operations led by the Group are shown at 100%. The environmental data does not include the offices as they are not material. The data in the "Supply chain" section does not include Lane. Any specific limitations to the scope are specified in the text or in the GRI Content Index.

The 2016 corresponding information relates to the scope of the Group's 2016 Sustainability Report, to which reference should be made. The figures about water consumption, energy consumption, the injury rate, waste, training hours, GHG Scope 3 emissions and intensity of GHG emissions for 2016 were restated compared to the figures given in the 2016 Sustainability Report due to adoption of a more accurate calculation method (for water consumption), the restatement of the data (energy consumption, injury rate and intensity of GHG emissions), calculation adjustments (waste and training) and the standardisation with energy consumption (GHG emissions Scope 3).

Calculation method

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

Injury rates

The injury rates are calculated using the methods established by standard UNI 7249:2007 “Statistics on occupational injuries”. They show the number of injuries (FR) and the related number of days lost (LDR) for every million hours worked.

Specifically, the FR is calculated as the ratio of total number of injuries leading to absence from work in the period (including death) and the total number of hours worked, multiplied by 1,000,000. The LDR is calculated as the ratio of total days lost (calculated using calendar days) to total hours worked, multiplied by 1,000. Any commuting injuries during the period are not considered.

Energy consumption and GHG emissions

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

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

- the emission factors defined by the standard parameters of the UK Department for Business, Energy & Industrial Strategy – BEIS (2016 Government GHG Conversion Factors for Company Reporting) for fuel consumption – the calculation includes CO_2, CH_4 and N_2O gases;
- the emission factors provided by the International Energy Agency (CO_2 Emissions from Fuel Combustion, 2013 edition, 2011 data) for electric energy consumption;
- the emission factors provided by the IPCC (Fourth Assessment Report AR4 100yr) to convert CH_4 and N_2O into CO_2 equivalent.

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

Water use

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

Waste

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

GRI CONTENT INDEX

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
GRI 102	**General Disclosures**
102-1	Salini Impregilo S.p.A.
102-2	p. 14
102-3	Milan, Italy
102-4	p. 58
102-5	Salini Impregilo S.p.A is listed on the Milan stock exchange and is managed and coordinated by Salini Costruttori S.p.A..
102-6	p. 58
102-7	p. 24 p. 58, p. 150
102-8	p. 149. Open-ended contracts account for 93% of the total in Africa, 91% in Central and South America, 97% in North America, 81% in Europe and 97% in the Middle East, Asia and Oceania. 99.9% of the employees have full-time contracts.
102-9	p. 183
102-10	No significant changes in the supply chain compared to the previous period
102-11	p. 167
102-12	p. 144
102-13	Salini Impregilo is a member of the following associations: Assonime, Fondazione Global Compact Network Italia, Assolombarda, Associazione Assafrica e Mediterraneo, ITCOLD - Comitato Nazionale Italiano per le Grandi Dighe, SIG - Società Italiana Gallerie, ISPI – Istituto per gli Studi di Politica Internazionale, Comitato Leonardo, Associazione AIAS, Associazione Italiana Internal Auditors, UNI – Ente Italiano di Normazione, AIGI – Associazione Italiana Giuristi d'Impresa, AICQ CN – Associazione Italiana Cultura Qualità Centro-Nord.
102-14	p. 4
102-16	p. 144
102-18	p. 144
102-40	p. 195
102-41	The Group agrees employment contracts with its employees in line with the local applicable legislation, the principles of the framework agreement with the BWI and any other agreements signed with the local trade unions. In 2017, this covered 8,718 employees, equal to 28% of the total.
102-42	p. 195
102-43	p. 160, p. 168, p. 183, p. 194, p. 195
102-44	p. 191
102-45	p. 196
102-46	p. 196
102-47	p. 194
102-48	p. 196

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
102-49	No significant changes in the material topics. Moreover, the scope of the material topics is the same as that for the previous period.
102-50	Calendar Year 2017
102-51	This Statement represents the first-time application of Legislative decree no. 254/2016 on non-financial information. Up until 2016, the Company prepared an annual sustainability report on a voluntary basis. The 2016 Sustainability Report was published in May 2017.
102-52	Annual
102-53	sustainability@salini-impregilo.com
102-54	p. 194
102-55	p. 202
102-56	p. 206
GRI 200	**Economic**
202-1	The direct economic value generated by the Group in 2017 amounted to €6,149 million, including €5,749 million which was distributed and €400 million which was retained. Specifically, €4,448 was distributed to suppliers (operating costs), €996 million to employees (remuneration and benefits), €201 million to the lenders and € 104 million to the public administration (taxes). Reference should be made to the information about the ordinary shareholders' meeting to be held on 30 April 2018 in the Directors' report for information about the dividend distribution.
202-2	p. 188. The term manager refers to persons who hold management positions as part of the contract and head a department/unit. In the case of EU resources, it refers to the contractual definition of a manager. Local employees are those who are hired in the same country as that in which they reside.
203-1	p. 190. The total value of initiatives to assist local areas includes monetary donations (40%), sponsorships (30%) and contributions in kind (30%) (e.g., labour, materials, machinery).
204-1	p. 189. Local suppliers are those with a registered office in the same country in which the Group's projects are taking place.
205-1	p. 179. 125 companies were included in the assessment scope.
GRI 300	**Environmental**
301-1	p. 171. The Group does not use significant renewable materials for its core activities while it can use recycled or recovered materials, as described in the relevant section.
302-1	p. 171, p. 199
302-2	p. 171, p. 199. Significant external energy consumption refers to the Group's subcontractors.
302-3	p. 171, p. 199
303-1	p. 171, p. 200
304-1	p. 177. Specifically, in 2017, 33 work sites (the equivalent of 11.4 sq km) were located in protected areas (mostly in the US, followed by Namibia, Denmark and Italy) and 122 (the equivalent of 16.3 sq km) in areas adjacent to protected areas (mostly in the US, followed by Australia, Slovakia and Italy). Of these sites, 128 are in areas protected by local regulations, 17 in areas protected by national regulations, 5 in "Natura 2000" areas and 5 in wetlands included in the Ramsar List. There are 84 work sites located in ecosystems that contain water (e.g., lakes, rivers, swamps, etc.), 23 in urban ecosystems, 21 in agricultural ecosystems, 11 in wood ecosystems, 10 in mountain ecosystems, 5 in desert ecosystems and 1 in a costal ecosystem. The main activity carried out in these areas is construction and plant operation.

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
305-1	p. 171, p. 199
305-2	p. 171, p. 199
305-3	p. 171, p. 199
305-4	p. 171, p. 199
306-2	p. 175, p. 200
307-1	p. 168
308-1	p. 183. Specifically, in 2017, 7% of the new suppliers were screened using environmental criteria.
GRI 400	**Social**
401-1	p. 152. Specifically, in 2017, 6,949 people joined the Group, including 2,835 under 30 years of age (41%), 3,578 between 30 and 50 (51%) and 536 over 50 (8%). During the year, 17,410 people left the Group, including 5,606 under 30 (32%), 9,614 between 30 and 50 (55%) and 2,190 over 50 (13%).
402-1	The minimum notice period to communicate significant operating changes for Salini Impregilo is a fixed period defined by the collective employment contracts and relevant local laws. It varies from 1 to 32 weeks for managers, 1 to 12 weeks for office staff and 1 to 8 weeks for blue collars.
403-2	p. 155. Despite the stringent assessments of risks and operating controls, 12 fatal injuries took place in 2017 (including six employees of subcontractors). The 2017 Frequency Rate (FR) for the Group's employees was 6.21 while that of its subcontractors was 2.77. The Lost Day Rate (LDR) for the Group's employees was 0.08 and that of its subcontractors 0.04 for the year. The main types of injury were wounds, bruises and fractures. The absenteeism rate was 2%. The occupational illness rate was 0.
404-1	p. 152. In 2017, technical and production employees received an average of 28 hours of training per capita, while office employees received 13 hours. During the year, the per capita training hours provided to corporate employees amounted to 60 for men and 38 for women. This figure did not differ significantly for the operating units given the strong predominance of male resources.
405-1	p. 160
406-1	p. 160. The Group received seven notifications of alleged discrimination from Lane's employees during the year. These notifications were handled in accordance with Lane's internal procedures. At year end, four cases had been settled, one analysed and two were pending analysis. In addition, a disciplinary proceeding commenced by Salini Namibia involving a group of workers who participated in an illegal strike in 2016 at the Neckartal Dam project was settled with an agreement.
407-1	p. 160
408-1	p. 160
409-1	p. 160
410-1	p. 160
411-1	p. 160. No instances (e.g., legal action) for the violation of indigenous rights took place in the year.
412-1	p. 160

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
413-1	Given the type of works, their location and reference regulatory frameworks, the Group's projects are subject to different laws and standards for social and environmental aspects. Accordingly, a social and/or environmental impact assessment prepared by the clients exists for 61% of its in-scope projects. The clients consulted the local communities for 44% of the projects. A management system is in place to handle complaints from local communities for 39% of the projects (the grievance mechanisms). Development projects assisting the local communities exist for 17% of the projects while worker committees exist for 31% of the projects.
414-1	p. 183. Specifically, in 2017, 7% of the new suppliers were screened using social criteria.
415-1	p. 190

Report of the indipendent auditors

KPMG

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

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

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

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

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 consolidated non-financial statement of the Salini Impregilo Group (the "Group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 15 March 2018 (the "NFS").

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

The directors of Salini Impregilo S.p.A. are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

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

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

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

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

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

4 Gaining an understanding of the following:

- the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.

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

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

To this end, we held interviews and discussions with the Salini Impregilo S.p.A.'s management personnel and personnel of Lane Industries Inc.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

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

- at Company and subsidiaries level:

  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;

  b) we carried out analytical and selected procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;

  we visited Lane Industries Inc. and the Grand Ethiopian Renaissance Dam site (Ethiopia), which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 consolidated non-financial statement of the Salini Impregilo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

Other matters

The Group prepared a 2016 sustainability report and has presented the data included therein for comparative purposes in its NFS. That sustainability report was reviewed by other auditors in compliance with ISAE 3000 revised, not pursuant to any legal requirements, who expressed an unqualified conclusion thereon on 12 April 2017.

Milan, 5 April 2018

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit