

“ANNEX” to Management Report

REPORT

ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

pursuant to Article 123-bis, TUF (Consolidated Law on Finance)

("Traditional" management and control model)

ASTM S.p.A.

www.astm.it

Year to which the Report refers: **2016**

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ANNEX

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GLOSSARY

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

Italian Civil Code/ C.C.: the Italian Civil Code.

Board: the Issuer's Board of Directors.

Issuer/Company/ASTM: the securities' issuer to which the Report refers.

Financial year: the business year to which the Report refers.

Consob Issuers' Regulation: the Regulation issued by Consob with resolution no. 11971 of May 1999 (as amended) about Issuers.

Consob Market Regulations: the Regulation issued by Consob with resolution no. 16191 of 2007 (as amended) about Markets.

Consob Related Parties Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) about transactions with related parties

Report: the Annual Report on Corporate Governance and Ownership Structures that companies are obliged to draft pursuant to Article 123-bis TUF

Consolidated Law on Finance/TUF: Italian Legislative Decree no. 58 of 24 February 1998.

1.0 ISSUER'S PROFILE

The Issuer was established on 28 November 1928, with the purpose of building a motorway between the cities of Turin and Milan. On 30 November 1929, the Ministerial Agreement for its construction and management was signed.

The motorway, completed in 30 months' work, was opened on 25 October 1932.

The Issuer, listed on the Turin Stock Exchange since 19 June 1969, was subsequently listed also on the Milan Stock Exchange from 25 February 1970.

Established with the name "Società Anonima Autostrada Torino – Milano", on 25 January 2013 the Company was renamed "ASTM S.p.A."

Over the years, the Company – through the acquisition of interest shares and corporate restructuring – established a Group that manages a motorway network of around 3,317 km in Italy and abroad and that, thanks to the recent acquisition of a controlling interest in the construction company Itinera S.p.A., intends to implement a diversification strategy at international level and a growth strategy in the sector of concessions and development of Concessions and Greenfield Projects.

A brief outline of the main transactions that have led to the Group's current structure is provided below:

- in September 1997, the Company acquired a controlling interest in Siway S.p.A. (subsequently incorporated in 1998), a financial holding company that holds major equity interests in motorway concession companies; following this transaction, the Company acquired a controlling interest in SALT p.A. (that manages the Sestri Levante - Livorno, Viareggio-Lucca and Fornola - La Spezia motorway sections) and increased to 45.3% (equal to 70.92% to date) its equity interest in Autostrada dei Fiori S.p.A. (that manages the Savona – Ventimiglia motorway section);
- in November 1998, the Company acquired control of SATAP S.p.A. (that manages the Turin-Milan and Turin-Alessandria-Piacenza motorway sections) through a capital increase reserved to Argofin S.p.A. (Gavio Group) against the transfer of the aforementioned concession holder; this transaction also enabled the Company to acquire, through the shareholdings owned by the aforementioned SATAP S.p.A., a controlling interest in SAV S.p.A. (that manages the Quincinetto – Aosta motorway section) and in Autostrada dei Fiori S.p.A.;
- in February 2002, a partial and proportional demerger of ASTM was effected by transferring the business activities, consisting mainly in equity interests in SALT p.A. – the company that controls Autostrada dei Fiori S.p.A.– and in ASTM Telecomunicazioni S.p.A. – now SINELEC S.p.A. – to a Newco called SIAS S.p.A., whose shares were admitted to listing on the Stock Exchange;
- in 2003 SIAS S.p.A. acquired a controlling interest in Autocamionale della Cisa S.p.A. (that manages the Parma – La Spezia motorway section) and SATAP S.p.A.; it increased its equity interest in ATIVA S.p.A.(that manages the Turin ring road system) from 29% to 41.17%;
- with effect from 1 January 2004, ASTM transferred to its subsidiary SATAP S.p.A. the business unit including the concession for the construction and management of the Turin-Milan motorway section, thus becoming a holding company;

- in March 2006, SALT p.A., together with Itinera S.p.A. and ANAS, established – with a 60%, 5% and 35% stake in the share capital, respectively – the company Autostrada Asti-Cuneo S.p.A. (that manages the Asti-Cuneo motorway section). This company was tasked with completing the design, execution and management of the toll motorway section linking the cities of Asti and Cuneo;
- in December 2006, the Boards of Directors of ASTM and SIAS S.p.A. approved a corporate restructuring plan for their respective Groups that entailed, mainly, the following:
 - the transfer to SIAS S.p.A. of the equity interests held by ASTM in SATAP S.p.A. (equal to 99.874% of the share capital) and in Road Link Holdings Limited (equal to 20% of the share capital);
 - the acquisition by ASTM (i) of equity interests held by SATAP S.p.A. in SINA S.p.A. (equal to 5.08% of the share capital) and in SINECO S.p.A. (equal to 27% of the share capital), as well as of no. 9,792,264 SIAS S.p.A.'s bonds, convertible into ordinary shares, owned by SATAP S.p.A.; (ii) the equity interest held by SAV S.p.A. in SINECO S.p.A., equal to 9% of the share capital and (iii) of the equity interests held by SALT S.p.A. (equal to 5% of the share capital) and Autostrada dei Fiori S.p.A. (equal to 5% of the share capital) in SINECO S.p.A.;
 - the transfer, to Holding Piemonte e Valle d'Aosta S.p.A., of the equity interests held by ASTM in ATIVA S.p.A. (equal to 41.17% of the share capital), SITAF S.p.A. (equal to 36.53% of the share capital, including no. 228,273 bonds convertible into shares) and in SAV S.p.A. (equal to 65.09% of the share capital);
- in November 2012, the subsidiary Autostrada dei Fiori S.p.A. acquired from Autostrade per l'Italia S.p.A., 99.98% of Autostrada Torino Savona S.p.A., the concession holder for the 130 km-long motorway with the same name;
- in September 2013, the merger by incorporation of Holding Piemonte e Valle d'Aosta S.p.A. into SIAS S.p.A., which used own its entire share capital, became effective;
- in November 2013, SIAS S.p.A., SATAP S.p.A. and Intesa Sanpaolo S.p.A. signed an investment agreement, which also included provisions of the Shareholders' Agreement, which entailed the acquisition of (a) joint control (i) of Tangenziali Esterne di Milano S.p.A. (a holding owning 47.66% of the share capital of Tangenziale Esterna S.p.A.) and (ii) of Tangenziale Esterna S.p.A., the concession holder for the 32 km motorway section between Agrate Brianza (interconnection with A4 Motorway) and Melegnano (interconnection with A1 Motorway) ("Milan East Outer Ring Road") and (b) governed the management of equity interests held by the Parties in Autostrade Lombarde S.p.A. (holding that owns 78.98% of the share capital of Bre.Be.Mi. S.p.A.) and in Bre.Be.Mi. S.p.A., company holding the concession for the Brescia-Bergamo-Milan motorway for a section of around 62 km;
- in November 2013, ASTM subscribed and fully paid up, for an amount of around 30 million Euro, a share capital increase that had been reserved to it, pursuant to Article 2441, paragraph 6, of the Italian Civil Code, by the Itinera S.p.A.'s Extraordinary Shareholders' Meeting, acquiring an

interest of around 17% in the share capital and thus holding - taking into account the interest held by its subsidiary SATAP S.p.A. - 46.7% of the share capital;

- in May 2015, the Temporary Consortium consisting in the subsidiary SATAP S.p.A. (with a 70% share) and Itinera S.p.A. (with a 30% share) was awarded the tender for the construction, management and maintenance of A21 Piacenza-Cremona-Brescia motorway and the junction to Fiorenzuola D'Arda (PC) of 88.6 km. To date, the obligations arising from applicable regulations for the purposes of the final effectiveness of the aforementioned award are yet to be completely fulfilled;
- on 28 April 2016, the Shareholders' Meeting approved a capital increase against consideration and with the exclusion of option rights, pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, to be settled by transfer by Argo Finanziaria S.p.A. unipersonale, and its subsidiary Codelfa S.p.A. of the equity interests held in Itinera S.p.A., equal to 53.35% of the share capital in total. As a result of the contribution, which became effective on 1 July 2016, ASTM holds, directly and indirectly, an equity interest equal to the entire share capital of Itinera S.p.A., with the exception of a single share that shall remain the exclusive property of SEA Segnaletica Stradale S.p.A.;
- On 4 May 2016, ASTM S.p.A. (and its subsidiary SIAS S.p.A.) – via IGLI S.p.A. – closed the transaction with CR Almeida S.A. Engenharia e Construções (“CR Almeida”) for the acquisition by IGLI S.p.A. of joint control, together with Primav Construções e Comércio S.A. (a wholly-owned subsidiary of CR Almeida S.A. Engenharia e Construções), of the Brazilian-law company Primav Infraestrutura S.A., to which 64% of the capital stock of Ecorodovias Infraestrutura e Logística S.A., a company listed on Novo Mercado BOVESPA that manages a motorway network of approx. 1,860 km in Brazil, had been transferred, together with 55% of the share capital of Concessionaria Monotrilho Linha 18 – Bronze S.A., which operates in the urban mobility industry.

As provided for by the "traditional" management and control model, the Issuer is managed by a Board of Directors and supervised by a Board of Statutory Auditors, which are vested with the powers and functions provided for by the Italian Civil Code, applicable special laws and the Articles of Associations.

The Shareholders' Meeting is the body that represents all shareholders and resolves, in ordinary and extraordinary session, on matters reserved to it by law.

For further information about the activities, composition and remit of the aforementioned corporate bodies, see the relevant dedicated sections in the Report below.

This Report aims at providing a description of the Company's “corporate governance” system and its compliance with the Code, providing evidence of recommendations that were implemented and those that were considered inapplicable as they did not reflect the existing organisational and

management structure.

The Report, drafted in compliance with Article 123-bis of TUF, takes into account the explanatory criteria and methods contained in the “format” prepared by Borsa Italiana S.p.A. in January 2017.

2.0 INFORMATION ON CORPORATE OWNERSHIP (pursuant to Article 123-bis, paragraph 1, TUF)

At 29/03/2017

a) Share capital structure (pursuant to Article 123-bis, paragraph 1a), TUF)

The share capital, subscribed and paid-up, of EUR 49,499,300, consists of no. 98,998,600 ordinary shares without par value, traded on the MTA, in the FTSE Italia Mid Cap Index.

The Issuer complies with the requirements provided for by Articles 36 and 37 of the Market Regulations for the trading of its shares on the Italian regulated market.

More specifically, the application requirements set out by the aforementioned Article 36 are not met, considering

that the Issuer does not have foreign subsidiaries in its investment portfolio that are relevant with respect to the provisions of Consob Issuers' Regulation.

Similarly, the requirements set out in Article 37 are met, assuming that the Issuer, which is subject to management and co-ordination by Argo Finanziaria S.p.A. unipersonale, i) has sent to the Turin Chamber of Commerce the notice provided for by Article 2497-bis of the Italian Civil Code within the deadlines required by Law; ii) has independent powers of negotiation with customers and suppliers, iii) does not have a centralised treasury function, iv) all Board's Committees are made up of Independent directors, pursuant to the Code and the TUF.

No other financial instruments that grant the right to subscribing new-issue shares were issued and no share-based incentive plans (*stock option, stock grant, etc.*) that entail share capital increases, including bonus ones, were approved.

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1b), TUF)

There are no restrictions on the transfer of securities, such as limits to the holding of securities or the need to obtain approval by the Issuer or other securities' holders.

Pursuant to art. 6 of the Articles of Association, shares are registered if required by law; otherwise, if fully paid, these can be registered shares or bearer shares, at the choice and expense of the Shareholder.

c) Significant shareholdings (pursuant to Article 123-bis, paragraph 1c),TUF)

The Persons who hold directly or indirectly - a relevant portion of the share capital ⁽¹⁾, pursuant to Article 120, according to the records contained in the Shareholders' register, as supplemented by the

⁽¹⁾ As a consequence of the provisions of Italian Legislative Decree no. 25 of 15 February 2016, from 18 March 2016, such threshold was increased to 3%.

communications received pursuant to Article 120 of the Consolidated Law on Finance and by other available information, are included in the summary of Table 1 contained in the Appendix.

d) Shares that confer special rights (pursuant to Article 123-bis, paragraph 1d),TUF)

The Issuer did not issue securities granting special control rights.

e) Employees' share ownership: exercise of voting rights (pursuant to Article 123-bis, paragraph 1, e), TUF)

The Issuer did not approve any employee shareholding scheme with regard to its share capital.

f) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1b), TUF)

There are not restrictions on voting rights.

The Issuer has only issued ordinary shares and there are no shares with voting rights other than ordinary shares.

g) Shareholders' agreements (pursuant to Article 123-bis, paragraph 1g),TUF)

As of today, no agreement was signed between Shareholders, pursuant to Article 122 of TUF.

h) Change of control clauses (pursuant to Article 123-bis, paragraph 1h), TUF) and provisions on takeover bids contained in the Articles of Association (pursuant to Articles 104, paragraph 1-ter, and 104-bis, paragraph 1)

Some loan agreements contain normal clauses setting out, subject to the consent of lenders, the obligation to repay the debt in advance if the company SIAS or the parent company Aurelia s.r.l. lose control over the relevant concession holder/s and or the subsidiary/subsidiaries. Moreover, this clause is included (i) in the majority of ISDA agreements governing derivative contracts (signed by Group companies in order to prevent the risk from interest rate fluctuations) and (ii) in some indemnity agreements concerning guarantees issued by Group companies.

The "Standard Agreements" in force, which were signed by the concession holders controlled by the SIAS Group, expressly set out the requirements with which the new controlling entity must comply in case of a change of control of the concession holders. More specifically:

- for the concession holders Società Autostrada TorinoAlessandriaPiacenza S.p.A. (A4 and A21 stretches), Autocamionale della Cisa S.p.A. and Autostrada Asti – Cuneo S.p.A., the requirements are listed below:
 - (i) integrity, balance sheet strength, professionalism and reliability with regard to compliance with the obligations resulting from contracts signed with public administrations;
 - (ii) compliance with the requirements set out by the so-called "antimafia regulations";
 - (iii) maintaining the registered office of the Concession Holder in Italy (only with regard to

- Autostrada Asti – Cuneo S.p.A. and Autocamionale della Cisa S.p.A.);
- for the concession holders Autostrada Torino-Savona S.p.A, Autostrada dei Fiori S.p.A., Società Autostrada Ligure Toscana p.A. and Società Autostrade Valdostane S.p.A., the requirements are:
 - (i) adequate capitalisation (the Shareholders' equity as shown in the latest set of approved and certified Financial Statements must be equal to least 1/8 of the Concession holder's Shareholders' at 31 December of the previous financial year);
 - (ii) maintaining the registered office in a Country not included in the list of Countries that are tax havens;
 - (iii) maintaining the registered office of the Concession Holder in Italy, as well as keeping the Concession Holder's organisational capabilities, undertaking to ensure to it the resources required to comply with the Agreement's obligations;
 - (iv) the members of the management body comply with the requirements of professionalism and, if required, independence pursuant to Italian Legislative Decree no. 58/98, as well as with the requirements of integrity for stock exchange listing set out by the regulations of the country in which the Company has its registered office.

However, the change of control is subject to the previous approval of the Grantor, without prejudice to compliance with the aforementioned requirements.

The Issuer's Articles of Association neither contain derogations with regard to passivity rule provisions set out in Article 104, paragraphs 1 and 2 of TUF, nor set out the implementation of the neutralisation rules set out in Article 104bis, paragraphs 2 and 3 of TUF.

i) Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to Article 123bis, paragraph 1, letter m), TUF)

In 2016, No powers to increase share capital were granted to the Board pursuant to art. 2443 of the Italian Civil Code.

On 28 April 2016, as reported in paragraph 1.0 "Issuer's Profile", the Shareholders' Meeting approved an increase in the share capital against payment and with exclusion of the pre-emption right, in accordance with Article 2441, paragraph 4, clause one, of the Italian Civil Code, for a maximum overall amount of EUR 5,499,300.00, plus a share premium of EUR 122,524,404.00 to be executed through the issue of 10,998,600 ordinary shares with no par value and with regular dividend rights, at an issue price of EUR 11.64 per share, through the contribution by Argo Finanziaria S.p.A. unipersonale and its subsidiary Codelfa S.p.A. of the equity investments held in Itinera S.p.A. representing a total of 53.35% of its share capital.

The deed of transfer was signed on 11 May 2016, effective from 1 July 2016.

On 28 April 2016, too, the Ordinary Shareholders' Meeting approved a new authorisation for the purchase and disposal and treasury shares, since the previous one, approved by the Ordinary Shareholders' Meeting of 15 April 2015, had elapsed with the approval of the 2015 Financial Statements.

The current authorisation, in line with the previous one, has the purpose of providing the Directors with suitable operational flexibility in pursuing the following objectives:

- market trading, in accordance with regulations in force;
- availability of treasury stock for potential corporate finance operations or other funding operations deemed of financial, operational and/or strategic interest to the Company;
- offer shareholders an additional means of monetizing their investment.

Under the authorisation, stock buybacks may be conducted up until the approval of the financial statements for the year ending 31 December 2016, or for a period of 18 months as of the approval's date, for a maximum of no. 17,600,000 ordinary shares in total (equal to 20% of the then share capital, represented by no. 88,000,000 shares in total), whereas no time limits are provided for disposals.

The purchase price for the buyback of shares is set at no more than 10% less or 10% more than the reference price recorded at the opening of stock market trading on the day prior to each single purchase transaction.

In view of the above, the Board of Directors, on 28 April 2016, having taken into account the ASTM shares already held in the portfolio (around 6.06% of the share capital) approved the launch of the new treasury shares purchase plan by authorising the acquisition of up to a further 3,520,000 ASTM shares (+4%), hence up to approximately 10.06% of the share capital.

In implementation of the above plan, in 2016 ASTM purchased a total of no. 1,184,678 treasury shares (equal to 1.20% of the share capital) and, subsequently, on 31 December 2016, the Company held a total of no. 6,577,706 treasury shares (6.64% of the share capital), of which no. 6,497,328 shares directly and no. 80,378 shares indirectly through the subsidiary Autostrada Albenga Garessio Ceva S.p.A. (no. 58,878 shares) and the subsidiary ATIVA S.p.A. (no. 21,500 shares).

l) Management and co-ordination (pursuant to Article 2497 et seq. of the Italian Civil Code)

The Issuer is subject to management and co-ordination by Argo Finanziaria S.p.A.. unipersonale.

It should be noted that:

- the information required by Article 123bis, paragraph 1, letter i) ("*the agreements between the company and the directors [...] providing for indemnities in case of resignation or dismissal without just cause or termination following a takeover bid*") is contained in the remuneration report published in compliance with Article 123ter of TUF;
- the information required by Article 123bis, paragraph 1, letter l) ("*the rules for the appointment and replacement of Directors [...], as well as for the amendment of the Articles of Association, if different from the supplementary legal and regulatory rules*") is detailed in the section of the Report on Board of Directors (Section 4.1).

3.0 COMPLIANCE (pursuant to Article 123-bis, paragraph 2a), TUF)

The Issuer's corporate governance model is essentially in line with the Code of Conduct of listed companies approved in July 2015.

The Issuer's governance model takes into account the company size, the ownership structure, as well as the sector.

The Issuer and its subsidiaries with strategic importance are not subject to foreign law provisions that affect the Issuer's corporate governance structure.

The Code followed by the Issuer can be found on the website of the Corporate Governance Committee: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

4.0 BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (pursuant to Article 123-bis, paragraph 1,l), TUF)

Pursuant to Article 16 of the Articles of Association, the Company is managed by a Board composed of a number of members ranging between seven and fifteen, according to the decision taken by the Shareholders' Meeting, by ensuring a number of independent directors, as well as gender parity, as required by law.

The whole Board of Directors is appointed on the basis of the lists submitted by the shareholders; the candidates – who are listed by a sequence number – have to comply with the requirements of integrity provided for by applicable law.

The lists submitted by the Shareholders shall be filed at the registered office within the terms and according to the methods set out by current regulations.

Each shareholder may submit or contribute to submitting one list only.

Each list shall include a number of candidates not exceeding the maximum number of Directors set out by the Articles of Association and, upon filing at the registered office, shall include i) information concerning personal and professional details of the candidates; ii) the written acceptance of the candidature and the declaration that the candidate does not belong to other lists; as well as iii) any other document provided for by applicable law.. Each list shall include at least two candidates who meet the independence requirements provided for by law, clearly indicating them and entering one of them at the top of the list. Lists containing a number of candidates greater than or equal to three must also include, as specified in the meeting call, candidates of different gender, in order to ensure compliance with the requirements of regulations in force at any time concerning gender balance.

Only shareholders who alone or together with others hold shares representing the shareholding in the share capital, as set out by law, have the right to submit lists.⁽¹⁾: The legal title to the abovementioned shareholding shall be proved according to the methods and timescales set out by the applicable law.

The list that does not comply with the abovementioned provisions shall be considered as not submitted.

⁽¹⁾ As provided for by Consob Resolution no. 19856 of 25 January 2017, this shareholding is currently set at 2.5% of the share capital.

Each person entitled to vote may vote only one list.

The election of the members of the Board of Directors shall proceed as follows:

- a) from the list obtaining the majority of votes cast by those entitled, four fifths of the Directors to be elected, with rounding down in the event of a fractional number, will be taken in the order in which they appear on the list;
- b) the remaining Directors are elected from the other lists; to this end, the votes obtained by said lists are divided by one, two or three, according to the number of Directors to be elected. The quotients thus obtained are sequentially assigned to the candidates on each list, in the order in which they are listed. The quotients thus attributed to the candidates of the various lists are arranged in a single decreasing order ranking, resulting in the election of the candidates with the highest quotients.

If more than one candidate obtains the same quotient, the candidate from the list which has not yet elected any Directors or which has elected the lowest number of Directors will be elected. In the case of an equal number of votes of the list and, therefore, with the same quotient, a new vote of the Shareholders' Meeting takes place, will the candidate obtaining the simple majority of votes being elected.

If the outcome of the aforementioned procedure generates a composition of the Board of Directors that does not allow the gender balance to be complied with, the candidates elected in the various lists are arranged in a single decreasing order ranking, created according to the quotient system indicated in point b) above. The candidate of the most represented gender with the lowest quotient among the candidates taken from all lists is replaced, subject to compliance with the minimum number of independent directors, by the first non-elected candidate belonging to the less represented gender indicated in the same list as the replaced candidate.

In the event that candidates of different lists obtain the same quotient, the candidate from the list from which the largest number of directors is taken will be replaced.

If the replacement of the candidate of the most represented gender with the lowest quotient in the ranking does not allow, however, the minimum threshold established by current legislation for gender balance to be achieved, the above-mentioned replacement operation is also performed with reference the candidate of the most represented gender having the second last quotient and so on going up from the bottom of the ranking. In all cases in which the above procedure is not applicable, the replacement is made by the Shareholders' Meeting with the legal majority, in compliance with the principle of proportional representation of minorities on the Board of Directors.

If no list is submitted or admitted or in any case, for any reason, the appointment of one or more Directors cannot be carried out according to the provisions of the Articles of Association, the Shareholders' Meeting decides with the legal majorities so as to nevertheless ensure, pursuant to current legislation, the presence of the number of Directors who meet the independence requirements and compliance with the requirements of legislation in force at any time concerning gender balance.

A vacancy for one or more Directors that arises during the financial year shall be filled in line with

applicable legal provisions, appointing, in sequential order, candidates drawn from the list to which the ceased Director belonged who are still eligible and prepared to accept the office, ensuring at any rate, in line with applicable laws, the presence of the required number of Independent Directors, as well as gender balance.

If, in case of resignation or other reasons, the majority of Directors appointed by the Meeting fails, the whole Board shall resign and its termination shall be effective from the moment when the Board of Directors will be re-established, following the appointments made by the Meeting that shall be convened as soon as possible.

The Directors are in office for the time agreed by the Meeting (in any case, not more than three financial years) and can be reappointed; the persons appointed during this period shall fall from office together with those members who were already in office upon their appointment.

Succession planning

Having taken into account the current corporate structure with one reference Shareholder, the Board of Directors decided not to adopt a succession planning policy for executive directors, since it was deemed inappropriate to identify persons or criteria for their selection before the actual need to replace an executive director arises.

4.2. COMPOSITION(pursuant to Article 123-bis, paragraph 2d), TUF)

The Board in office until 28 April 2016 had been appointed, for the 2013-2014-2015 financial years (and, therefore, until the approval of the 2015 Financial Statements), by the Ordinary Shareholders' Meeting of 10 June 2013 on the basis of the only list submitted by Argo Finanziaria S.p.A. unipersonale (owner of 52.737% of the capital on the day of submission), which included no. 15 candidates: Gian Maria Gros-Pietro (appointed Chairperson by the Shareholders' Meeting), Stefania Bariatti, Luigi Bomarsi, Caterina Bima, Flavio Dezzani, Cesare Ferrero, Giuseppe Garofano, Daniela Gavio, Marcello Gavio, Barbara Poggiali, Luigi Roth, Alberto Rubegni, Alberto Sacchi, Stefano Viviano, Marco Weigmann.

The minimum shareholding in the share capital required in order to submit lists was set out by Consob by means of Resolution no. 18452 of 30 January 2013 and is equal to 2.5%.

With regard to voting, out of a total of no. 64,643,492 shares present in the meeting (equal to 73.46% of the share capital) no. 57,880,279 voted in favour and no. 6,763,213 against.

For each voting, the list with the names of the shareholders and their votes is included in the meeting's minutes of 10 June 2013, which have been published on the Company's website under the "governance" section.

In the meeting of 10 June 2013, the Board had approved the organisational chart for corporate offices, confirming Daniela Gavio and Marcello Gavio as the two Deputy Chairpersons and Alberto Sacchi as Managing Director, conferring the relevant management powers.

On 28 September 2015 Alberto Sacchi submitted his resignation and was replaced by the Board on the same date (i) with the appointment to the office of Managing Director of Alberto Rubegni, who was already part of the management structure and (ii) by co-opting as new Director Pierluigi Davide, who - with effect from 3 February 2016 - resigned from the office.

In its subsequent meeting of 24 February 2016, the Board, given that its term of office would have expired with the approval of the 2015 Financial Statements by the Board of Statutory Auditors, resolved not to proceed with any co-optations.

The Board of Directors currently in office was appointed for the financial years 2016-2017-2018 (and, therefore, until the approval of the 2018 Financial Statements), by the Ordinary Shareholders Meeting of 28 April 2016 on the basis of the only list submitted by Argo Finanziaria S.p.A. unipersonale (owner of 53.39% of the capital on the day of submission), which included no. 15 candidates: Prof. Gian Maria Gros-Pietro (appointed as Chairperson by the Shareholders' Meeting), Ms Stefania Bariatti, Ms Caterina Bima, Mr Marco Antonio Cassou, Mr Giuseppe Garofano, Mr Giuseppe Gatto, Mr Beniamino Gavio, Ms Daniela Gavio, Mr Marcello Gavio, Ms Barbara Poggiali, Mr Luigi Roth, Mr Alberto Rubegni, Ms Anna Chiara Svelto, Mr Stefano Viviano and Marco Weigmann.

After setting out the number of the members of the Board of Directors to be elected as 15, all the aforementioned candidates became part of the Issuer's Management Body. The minimum shareholding in the share capital required in order to submit lists was set out by Consob by means of Resolution no. 19499 of 28 January 2016 and is equal to 1%.

With regard to voting, out of a total of no. 65,602,083 shares present in the meeting (equal to 74.548% of the share capital) no. 65,477,874 voted in favour and no. 124,066 against, with no.143 shares abstaining.

For each voting, the list with the names of the shareholders and their votes is included in the meeting's minutes of 28 April 2016, which have been published on the Company's website under the "governance" section.

On March 28, 2017, as disclosed to the market, Marco Antonio Cassou resigned from his post on the Company's Board of Directors, due to the fact that supervening professional commitments did not allow him to continue to devote the time necessary to perform the role.

The Board of Directors met on 29 March 2017, noting the resignations received and, in view of the forthcoming Annual General Meeting already convened for 28 April 2017, saw fit to present directly to the will of Shareholders any determination on the composition of the management body, including, for this purpose, the agenda of the aforementioned Annual General Meeting.

It should be noted that Marco Antonio Cassou, Giuseppe Gatto, Beniamino Gavio and Anna Chiara Svelto were appointed to the Issuer's Board for the first time, whilst Luigi Bomarsi, Flavio Dezzani and Cesare Ferrero were not reappointed.

With respect to the date of first appointment of the remaining members of the Board, the following is noted: Daniela Gavio (co-opted by the Board on 24/03/1994), Giuseppe Garofano (Ordinary

Shareholders' Meeting of 10/05/2007), Marcello Gavio, Luigi Roth, Stefano Viviano (Ordinary Shareholders' Meeting of 28/04/2010), Gian Maria Gros-Pietro (Ordinary Shareholders' Meeting of 20/04/2012), Stefania Bariatti, Caterina Bima, Barbara Poggiali, Alberto Rubegni, Marco Weigman (Ordinary Shareholders' Meeting of 10/06/2013).

Tables 2 and 2.1. in the Appendix include a summary of the information concerning the members of the aforementioned Boards and relevant Committees.

As can be inferred from the short bibliographical notes detailed below, the Directors have adequate professional experience with regard to legal, technical, economic and financial subjects as well as specific skills through which they actively participate and contribute to the Board's proceedings and decisions:

Gian Maria Gros-Pietro (Chairperson) – born in Turin on 4 February 1942. He obtained a Degree in Economics and Business Administration from the University of Turin, taught Business Economics first at the University of Turin and then at Luiss Guido Carli in Rome, where he was Head of the Economics and Management Department; currently, he is a member of the Board of Directors of Luiss. From 1974 to 1995 he headed the Research Institute on Enterprise and Development, the highest economic body of the Italian National Research Council. He has authored many publications on economic, business and financial topics. He was Chairperson of Iri, Eni and Atlantia, as well as the Director of many listed companies, including Fiat and Caltagirone. He is currently the Chairperson of the Board of Directors of Intesa Sanpaolo and is a member of the Board of Directors of Edison.

Daniela Gavio (Deputy Chairperson) – born in Alessandria, on 16 February 1958. She obtained a degree in Medicine at the University of Genoa. She acquired expertise in corporate management matters mainly within the Gavio Group, with particular reference to the sectors of motorway concessions, construction, logistics and road transport. Currently, her offices include that of Deputy Chairperson of the Board of Directors of SIAS S.p.A., Società Autostrada Torino-Alessandria-Piacenza S.p.A., Acting Deputy Chairperson and member of the Executive Committee of SALT S.p.A. and member of the Board of Directors of Aurelia S.r.l..

Marcello Gavio (Deputy Chairperson) – born in Alessandria on 8 October 1967. Graduated from the Tortona Technical Institute for Building Surveyors with a Surveying Diploma, he acquired expertise in corporate management matters mainly within the Gavio Group, with particular reference to the sectors of motorway concessions, building, construction, logistics and road transport. Currently his offices include that of Deputy Chairperson of the Board of Directors of Aurelia S.r.l. and Alternate Director of Primav Infrastruttura S.A. e Ecorodovias Infrastruttura e Logistica S.A..

Alberto Rubegni (Managing Director) – born in Pisa on 15 March 1951. He obtained a Degree in Civil Engineering (Structures) and boast long-standing experience in the management of highly complex infrastructure projects in Italy and worldwide both in the large-scale works and the concessions and project financing sectors. From July 1997 to July 2012, he was General Manager and then Managing

Director of Impregilo S.p.A., enabling the company to achieve important and prestigious results at international level. His current offices include that of Chairperson of the Board of Directors of Itinera S.p.A. and Director of Primav Infrastruttura S.A., Ecorodovias Infrastruttura e Logistica S.A., Autostrade Lombarde S.p.A., Società di Progetto Bre.Be.Mi S.p.A. and Tangenziale Esterna S.p.A..

Stefania Bariatti – born in Milan, on 28 October 1956. She obtained a degree in Law at the University of Milan, where she is Professor of International Law. She is counsel at the Chiomenti law firm. She also holds the office of Chairperson of the Board of Directors of SIAS and Director of Banca Monte dei Paschi di Siena S.p.A.; At international level, from 1999 to 2007 she represented the Italian Government at the Hague Conference on Private International Law during works concerning some international conventions. Moreover, she is author of over a hundred publications on Private International Law, European Union Law and International Law.

Caterina Bima – born in Borgo San Dalmazzo (CN) on 30 January 1960. She has a degree in Political Science with specialisation in international policy and a Law degree from Turin University and works as a notary in Turin, specialising in the corporate sector. She currently holds the office of Director of Unicredit Leasing S.p.A.

Giuseppe Garofano – born in Nereto (TE) on 25 January 1944. He has a degree in Chemical Engineering from the Politecnico di Milano and gained a Master's Degree in Business Administration at Bocconi University in Milan in 1972. In 1977 he worked at Morgan Stanley – First Boston in New York. He holds offices in management bodies, also as Chairperson, in companies such as Industria e Innovazione S.p.A.. He worked as independent management consultant and in-house consultant for IBI, which then became part of Alerion S.p.A..

Giuseppe Gatto – born in Murazzano (CN) on 17 October 1941. He gained a Degree in Economics and Business Administration from Turin University. He gained managerial experience by working for and holding corporate offices in major Italian and international companies, such as Impresit S.p.A., Risanamento S.p.A., A.G. Energia S.r.l., Huarte – Spain, Hasa – Spain and Itinera S.p.A. (where he is currently a member of the Board of Directors).

Beniamino Gavio – born in Alessandria on 13 October 1965. After obtaining a degree in Economics at Kensington University in Glendale (California), he acquired expertise in corporate management matters mainly within the Gavio Group, with particular reference to the sectors of motorway concessions, logistics, maritime transport, energy, construction and engineering. Currently his offices include that of Chairperson of the Board of Directors of Aurelia S.r.l. and Primav Infrastruttura S.A., as well as that of member of the Board of Directors of SIAS S.p.A. and Ecorodovias Infrastruttura e Logistica S.A..

Barbara Poggiali – born in Milan on 4 March 1963. She gained a degree in Material Engineering at the Massachusetts Institute of Technology. He acquired managerial expertise by holding various management positions and corporate offices in major Italian and international companies, including Snai S.p.A, Falck Renewables S.p.A., Finelco S.p.A., Dada S.p.A., Ansaldo STS S.p.A. She is also Strategic Marketing Director of Poste Italiane S.p.A. and Director of various group companies (including Banco

Posta Fondi SGR and Poste Mobile S.p.A.).

Luigi Piergiuseppe Ferdinando Roth – born in Milan on 1 November 1940. He gained a degree in Economics and Business Administration at Bocconi University in Milan and is listed on the Register of Chartered Accountants. He is the Chairperson of Alba Leasing Spa. He is senior advisor of Equita SIM Spa. He is Chairperson of Italiana Valorizzazioni Immobiliari Srl and Melior Valorizzazioni Immobiliari Srl. He is a member of the Board of Directors of Eurovita Assicurazioni Spa and NTV. He is Chairperson of the Editorial Committee of “Civiltà del Lavoro”, a magazine of the National Federation of the Knights of Labour and Chairperson of the Lombardy Group of the Knights of Labour. After working for Pirelli, Finanziaria Ernesto Breda, Breda Costruzioni Ferroviarie, Ferrovie Nord Milano, Ansaldo Trasporti and Finmeccanica, his recent career includes: 2004 to 2007 Deputy Chairperson of Cassa Depositi e Prestiti Spa. 2009 to 2011 Consorzio Città della Salute e della Ricerca di Milano. 2009 to 2012 Director of Meliorbanca. 2001 to 2009 Chairperson of Fondazione Fiera Milano. 2005 to 2014 Chairperson of Terna Spa. He is socially committed and his managerial experience has been put to the services institutes such as the Menotti Tettamanti Foundation for the study and treatment of child leukaemia and Caritas Ambrosiana.

Anna Chiara Svelto – born on 29 October 1968 in Milan. She gained a degree in Law at Milan State University, then passed her bar exam in September 1995. From March 1996 to February 1998, she worked in the Legal Department of Edison, and subsequently headed the Legal and Corporate Affairs Department of Shell Italy from March 1998 to September 2000. She then joined the Pirelli Group, where she worked until May 2016 in various managerial positions at the Headquarters, to then become the Corporate Affairs and Compliance Director, as well as the Secretary of the Board Directors and its Advisory Committees. She was a Member of the Board of Directors of Prelios S.p.A. and she is currently a Member of the Board of Directors of Enel S.p.A.. Since June 2016, she is Chief General Counsel of Ubi Banca.

Stefano Viviano – born in Genoa on 21 June 1976. He gained a degree in Business Administration with specialisation in Finance in 2000. In 2003 he became a Certified Internal Auditor (CIA) and in 2004 a Certified Control Self – Assessment (CCSA). He has been working for the Gavio Group since 2005, where he gained experience primarily in the area of group finance. He holds important management offices in various companies, including Tangenziale Esterna S.p.A..

Marco Weigmann – born in Turin on 20 May 1940. He gained a degree in Law at the University of Turin; he is leading partner of the Tosetto, Weigmann e Associati law firm and specialises in civil, commercial and, in particular, corporate law. He has been a member of the National and International Arbitration Chamber of Milan and has been a member of the Arbitration Chamber of Piedmont for several years now. He is a member of the Council of the Bar Association of Turin and of various non-profit civil society entities, as well as member of the Board of Directors of major companies, such as Società Reale Mutua Assicurazioni, Reale Immobili S.p.A., Auchan S.p.A. and Buzzi Unicem S.p.A..

The comprehensive curricula of the members of the Board are available on the Issuer's website, under the "governance" section.

Maximum number of offices held in other companies

The Issuer – in January 2008 - adopted a procedure, last reviewed in November 2012, aimed at identifying the maximum number of offices as director or auditor in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large enterprises.

The directors accept the office by taking into account, in their duties, the limits set out by the said procedure (available on the website under the "governance" section), which takes into consideration the level of commitment implied in each position, also with regard to the nature and size of the companies in which offices are held, as well as whether or not these belong to the Group. Large enterprises are defined as follows:

- a) Italian companies with shares listed on Italian or foreign regulated markets;
- b) Italian or foreign companies with shares that are not listed on regulated markets, which operate in the insurance, banking, financial brokerage, asset management or financial sectors;
- c) Italian or foreign companies other than those described in the previous paragraphs a) and b), which, individually or at Group level in case they draw up the consolidated financial statements, show i) revenue from sales and services higher than EUR 500 million; and ii) balance sheet assets higher than EUR 800 million, based on the last set of approved Financial Statements.

Having taken into account the commitment implied in each single position, the following maximum numbers on administration or control offices that can be held in large enterprises, as defined above, were established:

1. Executive Directors with management powers: 4
2. Executive Directors without management powers: 6
3. Non-executive Directors 8

With regard to the calculation of offices:

- those positions held in companies directly and/or indirectly controlled by ASTM, as well as in its Parent Companies are not taken into account;;
- substitute auditor offices, as well as management and control offices held in associations, foundations, consortium companies, consortia and unlisted cooperatives are not taken into account;
- in order to identify large enterprises pursuant to paragraph c), the item "revenue from sales and services" means income from ordinary operations;
- in case of offices held in companies belonging to the same group and if the Director holds a similar office in the parent company and in companies under its control and included in its scope of consolidation, the identification of large enterprises shall be carried out, for the parent company, on the basis of the Consolidated Financial Statements and, for subsidiaries,

based on the related Separate Financial Statements, also in case that the latter, as sub holding companies, draw up their own Consolidated Financial Statements;

- in case of offices held in large enterprises belonging to the same group, the weight given to each of the offices except for the first one is reduced by half and, in any case, the fact of holding several positions within the same group shall not imply a total "weighting" higher than 2.

However, the Board is allowed to grant derogations (including temporary ones) for exceeding the abovementioned limits.

The list attached to Table 2.1 shows the offices held by some Directors, in view of the aforementioned parameters and criteria.

Induction Programme

Through the frequency of Board Meetings, the Chairperson and the Managing Director ensure that the Directors and Auditors are constantly informed on the corporate and market situations, as well as on the main legal and regulatory developments concerning the Issuer and the Group ; Having considered the industrial holding activities carried out by ASTM, special attention has been paid to the purchase and disposal of equity investments and to the motorway and construction segment, so that it was possible to have an updated framework on the corporate activities and dynamics under way/being assessed, in order to take proper decisions..

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to Article 123bis, paragraph 2d), TUF)

The Board appointed until 28 April 2016 held 5 meetings, which were attended on average by 84.67% of the members and by 85.71% of the Independent Directors.

From the aforementioned date, the Board in office held no. 6 meetings that were attended on average by 96.67% of its members and 91.66% of Independent Directors.

The average duration of each meeting was approximately 1 hour and a quarter.

With regard to FY 2017 as detailed in the annual schedule of corporate events sent to Borsa Italiana S.p.A. in January 2017 at least 4 meetings have been forecasted to approve the Financial Statements, the halfyearly Financial Report, as well as the Quarterly Interim Management Reports..

Since the beginning of FY 2017, 4 meetings have already been held, although 3 of them were not included in the abovementioned schedule.

The Chairperson and the Managing Director have always made sure that Directors and Auditors could receive the documents about the agenda for well in advance of each Board meeting.

The Board, pursuant to the Code and having taken into account the operating dynamics of the Company and its Group and the organisational/management structure, decided to lay down a deadline of two working days, except for cases of urgency and confidentiality of pricesensitive information, which was mostly complied with during the financial year thanks to the management and preparation of Board proceedings.

Moreover, the Chairperson ensures that each item on the agenda is dealt with thoroughly, by encouraging discussion, which is useful in order to take decisions.

To this end, the Chairperson can ask that the executives of Group Companies and the managers of corporate functions take part in the meeting, as well as, where the conditions are met, advisors and/or legal consultants, in order to thoroughly analyse the issues on the agenda. To this end, the latter attended, to the extent of their remit, the meetings in which the Board expressed its favourable opinion on the Agreement with CR Almeida S.A. Engenharia e Construcoes (for the Brazilian initiative) and on the share capital increase transaction linked to the transfer of equity interests in Itinera S.p.A. referred to above.

In any case, and according to business practice, the manager responsible for financial reporting takes part in the Board's meetings for the approval of annual and interim corporate accounting statements".

With a few to facilitate even more the participation of Directors in corporate activities, pursuant to Article 19 of the Articles of Association, it is possible for them to attend remotely, using conference call or videoconference systems that ensure prompt and timely information flows.

Powers and authorities of the Board

Pursuant to art. 21 of the Articles of Association, the Board is endowed with broad and unrestricted powers for the ordinary and extraordinary administration of the company and has the authority to carry out all actions (including acts of disposal) that it deems necessary to achieve the corporate purpose, with the sole exception of expressly reserved to the Meeting by law.

The Management Body is responsible for examining and approving strategic, business and financial plans of ASMT and its Group. Having taken into account the information provided by the Managing Director also with regard to the exercise of the relevant management powers the Management Body assesses the general results of operations on an ongoing basis.

With reference to the specific powers set out by the Code, the Board monitors the adequacy of the organisational, administrative and accounting structure of the Issuer and subsidiaries with "strategic importance", which were mainly identified as Sina S.p.A., Igli S.p.A. and, from July 2016, Itinera S.p.A.; as a matter of fact, SIAS (and its subsidiaries) was not included due to Borsa Italiana S.p.A.'s remarks in the explanatory notes to the Code, which read: *"subject to the principle of autonomous management in the event that the subsidiary is also a listed company"*.

In concrete terms, the Board is responsible for analysing the following transaction with major strategic, economic, asset of financial relevance implemented by the Issuer or its subsidiaries:

- a) the issuance of financial instruments, for a total value higher than EUR 10 million;
- b) the granting of loans to entities other than Subsidiaries, for amounts higher than EUR 10 million, if this is proportional to the shareholding or for amounts higher than EUR 5 million if this is not proportional to the shareholding;;

- c) the signing of derivative contracts i) which have an amount higher than EUR 10 million as notional value, and ii) which do not only aim at hedging corporate risks (by way of non-limiting example: interest rate, foreign exchange and raw material hedging);
- d) the granting of personal guarantees and/or collaterals in favour of entities other than the Company or Subsidiaries, for amounts higher than EUR 10 million;
- e) merger and splitoff transactions, where at least one of the companies involved is not a subsidiary;
- f) acquisition or disposal of real estate whose value is equal or higher than EUR 5 million;
- g) acquisition or disposal of companies or business units, fixed assets and other assets, whose transaction value is equal or higher than EUR 10 million;
- h) acquisition or disposal of equity investments, incorporation of new companies and transactions involving new contributions that are not proportional to the shareholding ("new contributions" means share capital increase subscription, payments towards future share capital increase, payments to cover losses) for which the value of the transaction/contribution for the Company is equal or higher than EUR 10 million (equal or higher than EUR 5 million for transactions executed by subsidiaries), as well as the signing of agreements for the exercise of rights related to these equity investments and transactions that can involve, during their development or at their end, commitments and/or purchase agreements and/or disposal agreements of this kind and of this extent. Purchases of treasury shares effected as a result of the authorisation granted by the Shareholders' Meeting pursuant to current regulations are not considered as acquisitions of equity investments;
- i) any other transaction that, according to the competent Bodies of a subsidiary, has an impact on the strategic, economic and financial position and results of ASTM S.p.A..

With respect to the above, for a correct implementation of the procedure within the ASTM Group, the Board immediately issued the necessary instructions.

As regards the decisions taken by the Board on the identification of significant transactions with related parties and implementing procedures, reference should be made to the specific information contained in the following paragraph 12.0 "Directors' interests and transactions with related parties".

Assessment on the size, composition and functioning of the Board

The Directors carried out the usual annual assessment of the size, composition and functioning of the Board and its Committees, in compliance with the Code.

To this regard and at the Chairperson's initiative, in January 2017, an inquiry was launched - like in previous financial years - with all members of the Management Body, based on the distribution of a questionnaire to be filled out concerning the themes under review. More specifically: (i) the Board members and their professional skills in relation to the "industrial holding company" activities conducted by the Issuer, (ii) the

Board's functioning, (iii) the role, members and functioning of the Audit and Risk Committee and the Remuneration Committee and (iv) Independent Directors.

The results of this review, which are anonymous, were analysed in depth during a Board's meeting, which resulted in an overall positive assessment on the functioning of the Board and the Committees.

In summary, in relation to the "industrial holding" activity performed by the Company, the Directors believe that the numerical strength of the Board is adequate to the size and the company's organisational structure and that it represents a plurality of professional profiles (acquired - respectively - in the legal, technical, economic and financial fields) through which, with the aid of specific skills and also bearing in mind the seniority in the position, the Board is ensured the appropriate expertise to pursue the strategies and guidelines of ASTM and of its Group.

In particular, the Directors with specific reference to corporate operations and the objectives achieved in 2016 underlined that they took part in corporate activities and actively contributed to the works and decisions, as confirmed by their continued participation in the meetings.

In this context, in order to allow Directors to express an informed opinion, they were usually provided with documentation and information on the items on the agenda with reasonable advance of individual Board meetings.

The Board was updated on the ordinary and extraordinary operations of the Company, on significant events, as well as on initiatives under assessment and those carried out in the exercise of management powers.

This was also possible thanks to the support and the assistance provided by the Audit and Risk Committee and the Remuneration Committee, which supported the Board's assessment and decision activities in accordance with their respective powers.

The Board of Directors in office until 28 April 2016, too, expressed a favourable opinion on the functioning of the Board and its Committees following a relevant assessment carried out in February 2016 and based on which it informed the Shareholders of its opinion on the size and composition of the Board of Directors to be elected in view of the renewal by the annual Shareholders' Meeting.

Non-competition clause pursuant to Article 2390 of the Italian Civil Code

The Meeting did not grant derogations with regard to the noncompetition clause pursuant to Article 2390 of the Italian Civil Code as a general and preventive measure.

4.4. DELEGATED BODIES

Managing Director

The Board meeting of 28 April 2016 appointed as Managing Director Mr. Alberto Rubegni, who was granted the broadest powers for the ordinary and extraordinary management of the company, subject to the limitations set out by law and the Articles of Association, except for the following actions that shall be

previously authorised by the Board of Directors: i) sell, exchange and transfer real estate in incorporated companies or under incorporation, (ii) transfer, sell, award and generally dispose of the equity investments held in subsidiaries so that the equity investment is lower than 50.1% of the share capital. Moreover, the Managing Director also has the power to appoint and revoke appointment of proxies and attorneys by setting out their powers, as well as to promote and support legal actions on behalf of the Company – acting as both claimant or defendant – at any court (civil, penal or administrative) and at any level of jurisdiction, in Italy and abroad.

Chairperson

The Chairperson has been granted, apart from the powers under the Articles of Association, with the following powers to be exercised with separate signature: (i) setting the agenda of the Board of Directors' meeting, in agreement with the Managing Director, (ii) providing for external communication, together with the Managing Director, (iii) signing corporate mail and the documents related to the office and the exercise of powers.

Deputy-Chairpersons

The activities of Deputy-Chairpersons have been aligned with those of the Chairperson, by granting similar powers to be exercised with separate signature, in case of absence or impediment of the Chairperson.

General Management

The Company's current organisational structure does not provide for a General Management function.

Executive Committee (pursuant to Article 123-bis, paragraph 2d), TUF)

Based on the current organisational and operating structure of the Issuer, the Board has not appointed an Executive Committee.

Information to the Board

The Managing Director reported to the Board and the Board of Statutory Auditors on the activities carried out in the exercise of his powers, as well as on the overall performance and the outlook, as well as on major economic, financial and asset transactions effected by the Company or its subsidiaries during individual meetings, held at least every quarter.

4.5. OTHER EXECUTIVE DIRECTORS

In the light of the definition contained in the application criterion 2.C.1 of the Code and of the current corporate structure, in addition to the Managing Director, the following are executive directors:

- Beniamino Gavio, as Chairperson of the Parent Companies Aurelia S.r.l. and Argo Finanziaria S.p.A. unipersonale;

- Daniela Gavio as she holds (i) the office of Manager of Itinera S.p.A., a subsidiary with strategic importance and (ii) the office of Director of the Parent Companies Aurelia S.r.l. and Argo Finanziaria S.p.A. unipersonale;
- Marcello Gavio, as Vice-Chairperson of the Parent Companies Aurelia S.r.l. and Argo Finanziaria S.p.A. unipersonale;
- Stefano Viviano as Managing Director of the subsidiary with strategic relevance Igli S.p.A..

4.6. INDEPENDENT DIRECTORS

With respect to the Board of Directors in office until 28 April 2016 and the requirements provided for by Article 3 of the Code and Article 148, paragraph 3 of TUF, the following members of the Board were independent: Caterina Bima, Flavio Dezzani, Giuseppe Garofano, Barbara Poggiali, Luigi Roth, Marco Weigmann; the Director Cesare Ferrero had confirmed compliance only with the requirements of the aforementioned Article 148, paragraph 3, TUF.

With respect to the Board currently in office, no. 7 Directors stated, upon presentation of the lists (at the same time acceptance of the candidature), compliance with the independence requirements both in relation to the Code and TUF: Caterina Bima, Giuseppe Garofano, Giuseppe Gatto, Barbara Poggiali, Luigi Roth, Anna Chiara Svelto, Marco Weigmann.

Compliance with these requirements – also after consulting the Board of Statutory Auditors – was positively assessed by the Board following the appointment and during the annual periodic assessments carried out in February 2017. In this regard it should be noted that the independence of Director Giuseppe Garofano was confirmed by virtue of his independent judgment and proven professional capabilities and considering that the aforementioned Director (i) has served over nine years in office and (ii) is the Chairperson of the Board of Directors of Industria e Innovazione S.p.A., a company in which the Parent Company Argo Finanziaria S.p.A. holds an equity interest of around 9.38% of the share capital and in respect to which Argo Finanziaria S.p.A. has entered, together with other shareholders of Industria e Innovazione S.p.A., into a shareholders' agreement terminated on 5 February 2016, given that the aforementioned elements do not constitute a control relationship between Argo Finanziaria S.p.A. and Industria e Innovazione S.p.A..

It should also be noted that, during the meeting of 29 March 2017, the Board of Directors expressed its favourable opinion on the renewal of Giuseppe Gatto as Director the subsidiary Itinera S.p.A., which shall renew its management body with the approval of the 2016 Financial Statements. Given that this post did not and shall not entail holding any executive or management office, it should be noted that the office of Director of Itinera S.p.A. did not and shall not compromise the independence status of Director Giuseppe Gatto.

All Directors undertook to report to the Issuer on any change of the information provided upon acceptance of the candidature, among which their independence.

In the framework of its specific powers and authorities, the Board of Statutory Auditors favourably examined and verified the correct application of the assessment criteria and procedures adopted by the Board to assess the independence of its members.

Independent Directors' meeting

The meeting of the Independent Directors was held in December 2016. Following the assessment, they confirmed the favourable opinion with regard to the operations and composition of the Management Body. Its members have professional profiles and knowledge suitable in order to achieve the strategies and aims of the Company and the Group belonging to it.

In this context, they expressed their favourable opinion on the existing information flow that enables them to monitor corporate activities and the internal audit system of ASTM and its main subsidiaries, also thanks to the timely co-operation of corporate management and the responsible staff.

It was noted that the Board is periodically updated on the ordinary and extraordinary operations of the Company, on significant events, as well as on initiatives under assessment and those carried out in the exercise of management powers.

The precious contribution provided by the Audit and Risk Committee (also in its capacity as Related Parties' Committee, where applicable), by the Remuneration Committee and by the Board of Statutory Auditors was also recognised. These are all bodies that periodically report on their activities, supporting Board decisions, in the framework of their powers and authorities.

4.7. LEAD INDEPENDENT DIRECTOR

The current organisational structure of the Board, with regard to the distribution and allocation of management powers, complies with the principles contained in the Code, according to which the company management should be divided from the office of Chairperson. For this reason, there is no need to appoint a lead independent director among independent directors.

5.0 HANDLING OF CORPORATE INFORMATION

During the financial year, the Chairperson and the Managing Director, in co-operation with the investor relations' supervisor, were in charge of the management of corporate information, with particular reference to price sensitive information.

The external disclosure of documents and information on the Issuer and its subsidiaries has been carried out in agreement with the Chairperson and the Managing Director by the Board's and General Secretariats with regard to communications to the relevant Authorities and the Shareholders and by the investor relations' department for information to institutional investors.

Up until November last year, corporate information, whose disclosure is carried out by means of dedicated network connections (SDIRNIS/NISSTORAGE), whose access is protected by passwords which are only known to the Board's Secretariat, was governed by a dedicated procedure for the "management of

confidential information", which is an integral part of the organisational, management and control models pursuant to Italian Legislative Decree 231/01.

Subsequently, in November 2016, the aforementioned procedure was reviewed in order to guarantee - in implementation of the new market abuse regulatory framework introduced by the entry into force of Regulation (EU) no. 596/2014, which established a new joint regulatory framework at European level on inside information, unlawful communication of inside information and market manipulation - (i) the internal management and external disclosure of corporate documents and information about ASTM and its subsidiaries⁽¹⁾, with specific reference to inside information, as well as (ii) the creation and updating of a list of individuals who have access to inside information.

With respect to the latter aspect, the Issuer has a specific IT procedure whose contents and methods are aligned to the principles and aims provided for by relevant regulations.

The new procedure includes provisions pertaining to the internal handling and the external disclosure of corporate documents and information, with specific reference to inside information, and defines roles, responsibilities and operational methods for the management of such information, considering their identification and disclosure to the market, including, where applicable, the activation of the procedure for delayed disclosure to the market and the updating of the insider register. Specifically, with respect to roles and responsibilities, it has been decided that the Managing Director is responsible (i) for assessing the inside nature of information, with the power, where appropriate or required, to refer such assessment to the Audit and Risk Committee and (ii) activating, where applicable, delayed disclosure to the market.

With respect to "Internal Dealing" rules, which are governed by a dedicated procedure that was last updated in July 2016 also to take into account the entry into force of Regulation (EU) no. 596/2014, the General Secretariat is the unit responsible for receiving, managing and disclosing to the market any material transactions effected, on the Issuer's shares of financial instruments linked to it, by "relevant persons" and "close associates", as identified on the basis of current legal and regulatory provisions.

In order to promptly comply with disclosure requirements, a document entitled "*Transactions carried out by relevant parties and close associates*" is drawn up and given to relevant parties. This document contains all legal and regulatory provisions that constitute the regulatory framework, as well as the terms and conditions for communications to Consob, Issuer and the market.

During 2016 there were no internal dealing notifications.

6.0 BOARD COMMITTEES (pursuant to Article 123-bis, paragraph 2d), TUF)

Following the renewal of the Management Body by the Shareholders' Meeting of 28 April 2016, the Board, in its meeting held on the same date, appointed the Remuneration Committee and the Audit and

⁽¹⁾ The procedure does not apply to SIAS S.p.A. - whose shares are traded on the MTA managed by Borsa Italiana S.p.A. - and to its subsidiaries.

Risk Committee, whose composition is in line with the provision of the Code since all members are independent non-executive Directors.

The Board decided neither to appoint the Appointment Committee nor other committees, for the reasons described below.

7.0 APPOINTMENTS COMMITTEE

In line with the assessments made in the past, the Board has not deemed it necessary to create an internal Appointment Committee, assuming that the appointment of Directors is carried out by means of list voting, in compliance with the terms and conditions set out in Article 16 of the Articles of Association and as required by current regulations.

8.0 REMUNERATION COMMITTEE 30

Composition and functioning of the Remuneration Committee (pursuant to Article 123-bis, paragraph 2 d), TUF)

Up until 28 April 2016, the Remuneration Committee, consisting of independent Directors Marco Weigmann (Chairperson), Caterina Bima and Luigi Roth, the latter possessing sufficient knowledge of and experience in financial and remuneration policy matters) held no. 3 meetings with all components in attendance and in presence of the Board of Statutory Auditors, during which it supported the Board of Directors (i) in the adoption of the general remuneration policy approved by the Ordinary Shareholders' Meeting of 28 April 2016 and (ii) in the determination of the remuneration for the Managing Director appointed - as mentioned above - with resolution of 28 September 2015.

The Remuneration Committee currently consists of Directors Marco Weigmann (who is suitably knowledgeable about and experienced in financial and remuneration policy matters and holds the office of Chairperson), Anna Chiara Svelto and Barbara Poggiali.

The Committee is convened upon request of its members by the Board's Secretariat, which also prepares the minutes of each single meeting. All members of the Board of Statutory Auditors are invited to take part in the meetings.

In 2016 the Committee in office held no. 2 meetings, attended by all its members in the presence of the entire Board of Statutory Auditors.

No. 4 meetings have already been held in 2017, concerning, *inter alia*, the periodic assessment of remuneration policies implemented in 2016 to define the draft policy for 2017, which shall be submitted to the Annual Shareholders' Meeting convened to approve the 2016 Financial Statements. No further meetings are scheduled to date.

Pursuant to the recommendations contained in the Code, the Directors do not attend the Committee's meetings during which proposals are made to the Board with regard to their remuneration.

Functions

In compliance with the Code, the Remuneration Committee has the power to: i) submit proposals to the Board concerning remuneration policies for directors and key management personnel; ii) periodically assess adequacy, general consistency and practical implementation of remuneration policies adopted for directors and key management personnel, by making use (with regard to this latter point) of the information provided by managing directors, as well as to make proposals to the Board on this subject; iii) submit proposals or express opinions to the Board on the remuneration of executive directors and other directors holding specific offices, as well as on the performance objectives related to the variable portion of this remuneration; iv) monitor the implementation of the decisions adopted by the Board by assessing, in particular, the achievement of performance objectives.

To carry out its duties, the acting Committee, after its appointment, after sharing and confirming the guidelines of the remuneration policy adopted by the Issuer during the previous administrative mandate, formulated proposals on the remuneration for i) individuals who hold corporate offices (Deputy-Chairpersons and Managing Director), ii) for the "Director responsible for the internal audit and risk management system", iii) for the members of the Audit and Risk Committee and the Board of Statutory Auditors.

The financial proposals formulated by the Committee, after acquiring the favourable opinion of the Audit and Risk Committee (for the remuneration of the Managing Director) and of the Board of Statutory Auditors, with the interested parties abstaining from time to time, were accepted and approved by the Board.

To date, the Board of Directors has not considered the opportunity to approve a specific budget for the Committee that, in order to perform its duties, relies on the corporate means and units and can resort to external consultants at the Company's expense. .

9.0 DIRECTORS' REMUNERATION

General remuneration policy

Pursuant to Article 16 of the current Articles of Association, the Shareholders' Meeting approves the annual fee payable to the members of the Board; this fee is valid also for the financial years following the one for which it was approved, until a new decision is taken by the meeting.

The members of the Board are entitled to the reimbursement of the expenses incurred as a result of their office.

Without prejudice to the remuneration approved by the Shareholders' Meeting, the remunerations of the directors holding corporate offices are established by the Board upon proposal of the Remuneration Committee and having consulted the Board of Statutory Auditors, pursuant to Article 2389 of the Italian Civil Code, as well as, where applicable, the Audit and Risk Committee, in compliance with the procedure on transactions with related parties.

Moreover, the Board sets out the remuneration for the members of the Supervisory Body and the Committees that have been created in compliance with the Code.

As already reported, in March 2016, upon proposal of the Remuneration Committee, the Board defined the Issuer's remuneration policy (essentially aligned with the one approved in the previous year), approved, in terms of approach and contents, by the Shareholders' Assembly on 28 April 2016. For the FY 2016, the Company, in defining its remuneration policy, deemed it appropriate to establish fixed wages for its directors (including executive ones with management powers) and excluded variable wages.

Moreover, in light of major recent changes in the Company's and Group's strategy, and of business development initiatives including those in international markets and the requests made by investors, during the year the Company started a project for the introduction of a management incentive system aimed at promoting the achievement of increasingly excellent results and creating a virtuous link between compensation and business performance. In particular, (i) an annual incentive system was introduced for 2017 whereby beneficiaries receive a monetary bonus against the achievement of set economic/financial and project/strategic objectives and (ii) a technical study aimed at assessing the adoption of medium to long-term incentives linked to multi-year objectives was started, with a view to implementation from the next financial year.

This issue is thoroughly described in the "Remuneration Report" (prepared in compliance with Article 123ter of TUF and Article 84-quater of Consob Issuers' Regulation), which is available on the company's website, under the "governance" section.

Remuneration of key management personnel

By reference to the definition contained in Annex 1 of the Consob Related Parties Regulation, the Issuer did not identify any key management personnel as part of the current corporate governance structure.

Incentives for the internal audit manager and the manager responsible for financial reporting

In line with the principles and values of the Issuer's remuneration policy, no incentives are set out for the internal audit manager and the manager responsible for financial reporting.

Directors' indemnity in case of resignation, dismissal or termination of the employment relationship following a takeover bid (pursuant to Article 123bis, paragraph 1i) of TUF)

The Issuer did not sign with the Directors and the General Manager any agreements for indemnities in case of resignation, dismissal or termination of the employment following a takeover bid, as well as no non-competition agreements entailing the payment of a sum in respect of the obligation arising from the aforementioned agreements.

10.0 AUDIT AND RISK COMMITTEE

Composition and functioning of the Audit and Risk Committee (pursuant to Article 123-bis, paragraph 2d, TUF)

During the previous administrative mandate, the Audit and Control Committee, consisting of the Independent Directors Giuseppe Garofano, Barbara Poggiali, Flavio Dezzani (holding the office of Chairperson and possessing suitable experience in accounting, financial and risk management matters) held no. 9 meetings up to 28 April 2016.

The current Committee is made up of the non-executive independent Directors Giuseppe Garofano (who holds the office of Chairperson and possesses suitable experience in accounting, financial or risk management matters), Giuseppe Gatto and Luigi Roth.

After their appointment, Committee members held no. 4 meetings.

All Committee meetings (whose length was in line with the issues discussed) were attended by the Members of the Board of Statutory Auditors, who are also always invited.

Based on the current "Guidelines for the Internal Audit and Risk Management system", approved by the Board in March 2014, the Committee reports on the results of its activities on a halfyearly basis, during the meetings held to approve the annual and interim accounting documents; As a consequence, at least 2 meetings have been planned for FY 2017, without prejudice to further meetings concerning any preliminary assessment of transactions with related parties.

Since the beginning of the year, the Committee, which is convened upon request of its members by the Board's Secretariat, has held two meetings.

Functions

The Committee assisted the Board in carrying out the tasks assigned to the latter with regard to internal audit issues, by having access to all necessary corporate information and functions.

The Committee carries out all the tasks set out by the Code, specifically: a) together with the manager responsible for financial reporting and having consulted with the independent statutory auditor and the Board of Statutory auditors, it assesses the correct use of accounting policies and, in case of groups, their uniformity with regard to the preparation of the Consolidated Financial Statements; b) it expresses opinions on specific aspects concerning the identification of the main corporate risks; c) it evaluates the periodic reports on the assessment of the internal audit and risk management systems and those of significant importance prepared by the internal audit function; d) it monitors the autonomy, adequacy, efficacy and effectiveness of the internal audit function; e) where it deems it necessary, it asks the internal audit function to carry out audits on specific operating areas, by notifying this to the Chairperson of the Board of Statutory Auditors; f) it reports to the Board on its activity and the adequacy of the internal audit and risk management system at least on a halfyearly basis, at the time of approval of the annual and half-yearly financial reports; g) it supports, with suitable investigation activity, the

assessment and the decisions of the Board on the management of risks arising from detrimental events that have come to the attention of the Board.

In this context, the Committee receives the following information flows:

- (i) from the Internal Audit Manager, the draft audit plan to be submitted to the approval of the Board of Directors, as well as the periodic report on the results obtained from the assessments performed;
- (ii) from the Manager responsible for financial reporting, a report on the activities carried out to ensure the correctness, completeness and operating efficiency of the administrative and accounting procedures required to adequately prepare the Separate and Consolidated Financial Statements;
- (iii) from the Director responsible for the internal audit and risk management system, the report on the implementation of the Guidelines for the internal audit and risk management system and on the adequacy and efficacy of the System as a whole, as well as any reports on specific issues and criticalities emerged in the performance of his/her duties.

Pursuant to the aforementioned Guidelines, moreover, meetings with the Manager responsible for the internal audit and risk management system of the subsidiary SIAS S.p.A. are also scheduled.

During 2016, the Committee did not ask the internal audit function to carry out assessments on specific operational areas.

According to the procedure on transactions with related parties, the Committee is in charge of analysing, in advance and upon compliance with the requirements, any transactions with related parties, in order to support the Board's resolutions. In this area, in 2016, with the assessment activity of advisors specifically identified for their specific skills and professional characteristics, the Committee was asked to express its opinion on (i) the investment agreement and the shareholders' agreement signed with the subsidiary SIAS S.p.A. as part of the initiatives linked to the acquisition of joint control of Ecorodavias Infrastruttura e Logistica S.A. and (ii) the share capital increase, with exclusion of pre-emption right, resolved by ASTM in April 2016.

To carry out its duties, the Committee uses corporate means and structures and can avail itself of external consultants, whose costs are to be borne by the Company. Consequently, as of today the Board of Directors has not considered the opportunity to approve a specific budget for the Committee.

11.0 INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

The Board of Directors is responsible for the internal audit and risk management system; thanks to the support given by the relevant Committee, it identifies its policies and regularly assesses its suitability and effectiveness, ensuring that the main corporate risks are identified and managed in a manner coherent with identified strategic objectives.

In order to monitor the achievement of the Group's strategies and purposes, the Boards of Directors of the

main investee companies alternatively include the ViceChairpersons, the Managing Director and some of the Issuer's Directors who are experts in specific sectors.

Moreover, the director responsible for the internal audit and risk management system, the "internal audit function", the "manager responsible for financial reporting", as well as "Project 231" and the "Control model 262" aim at safeguarding the principles of proper and efficient management. Please refer to the following sections contained in this Report for further details on these functions and projects.

With reference to the abovementioned aspects and as part of the usual annual assessment made in March 2017, the Board believes that the internal audit system is adequate and effective for the identification, measurement, management and monitoring of risks considering the risk profile assumed and the features of the Company and of each business sector in which the Group belonging to it operates.

With specific regard to the main features of the existing risk management and internal audit systems concerning the (consolidated) financial reporting process, if applicable, reference is made to Annex 1.

11.1. DIRECTOR RESPONSIBLE FOR THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

During the previous administrative mandate, the function of Director responsible for the internal audit and risk management system ("Responsible Director") was performed by Director Luigi Bomarsi, who, in agreement with the Audit and Risk Committee and the Board of Statutory Auditors, performed ongoing surveillance of the system for the identification and assessment of the risks to which the Company and the Group are exposed.

This activity essentially consisted of four separate stages: i) definition of strategic objectives, ii) risk identification, iii) risk assessment, iv) control and monitoring activities.

Identified risks were then classified into homogenous classes.

An assessment of the "probability" that each risk occurs has been made, as well as of the "impact" that each risk could have on the achievement of strategic objectives. This assessment was also performed in terms of "inherent character" (risk in case there are no control activities aimed at reducing corporate risks) and "residual character" (risk that remains even after the management has carried out the activities in order to reduce it). A significant decrease of the "inherent" risk emerged from this analysis (from mediumhigh to mediumlow in terms of "residual" risk).

The Responsible Director has carried out periodic assessments, the last of which (completed in February 2016 and shared with the Audit and Risk Committee and the Board of Directors) led to a review of "risk assessment" through the identification of new risks in the "External risks" and "Financial risks" categories with respect to (i) the possible development of international activities and (ii) new regulations on the management of banking crises that came into effect on 1 January 2016.

After the renewal of the Management Body, the function was allocated to Director Stefano Viviano, who, after carrying out an assessment shared with the Audit and Risk Committee and the Board of Directors, deemed it appropriate to supplement and amend the ASTM Group's risk assessment to take into account the specific features and the risk profile of the construction sector in which Itinera S.p.A. operates, a company whose control - as already mentioned - ASTM acquired from 1 July 2016. Specifically, two new risk areas were identified, which pertain to (i) the technical and economic-financial planning of contracts and (ii) their contractual management. Therefore, two new risks were included and the level of importance of some risks already included in the Group risk assessment was increased (for 5 inherent and 9 residual risks).

As part of his/her remit, the Responsible Director receives from the subsidiaries ITINERA S.p.A., IGLI S.p.A., SINA S.p.A., SINECO S.p.A. and L.I.R.A. S.r.l., quarterly reports on their internal audit and risk management system, in order to identify new risks and verify the appropriateness of the internal audit and risk management system of the subsidiaries.

11.2. INTERNAL AUDIT MANAGER

From 1 January 2016, the Board, upon proposal of the Responsible Director, subject to the prior opinion of the Audit and Risk Committee and after consulting with the Board of Statutory Auditors, appointed as Internal Audit Manager Ms. Amelia Celia, a Director of the Group, also resolving the payment of a yearly fee for the work commitment related to the performance of her duties. Ms. Celia possesses adequate professional experience in the field of management accounting, as well as in that of the mapping of key corporate processes and the assessment of the relevant risks, acquired in major Italian and international listed Groups in various verticals, including manufacturing and consumer goods.

In February 2016, the Board - subject to sharing it with the Audit and Control Committee, after consulting with the Board of Statutory Auditors and the Responsible Manager - approved the "2016-2018 Audit Plan" and the schedule of the audits planned for the FY 2016 (the "2016 Work Plan"), indicating the relevant time scales and the forecast commitment in terms of "man-days", assigning to the Internal Audit Manager a fund of EUR 30,000 for the performance of the duties linked to his/her function in the FY 2016.

In order to prepare the aforementioned Plan and identify the relevant areas/processes, the following was taken into account: the results of i) audit activities performed in previous financial years, ii) the risk assessment prepared by ASTM's management and periodically updated, (iii) meetings with the management of the Company aimed at investigating the most at-risk areas, as well as (iv) the assessments carried out pursuant to Italian Law no. 262/2005 and in Italian Legislative Decree no. 231/2001.

Based on the relevance of identified risks, priorities and audit activities were defined and planned by identifying the companies, processes and systems, as well as the type of audit actions and related objectives and the timescales of each Plan intervention.

Subsequently - in line with the findings of the risk assessment performed by the Director responsible for the internal audit and the risk management system, after the widening of the portfolio of investments with the acquisition of the control of Itinera S.p.A., the Internal Audit Manager - reserving the right to submit an update of the Audit Plan for the FYs 2017 and 2018 at a later stage, supplemented the 2016 Work Plan in July 2016, with an increase in work commitments compared to the original schedule. This entailed an increase to EUR 45,000 of the fund available to the Internal Audit Manager.

Subsequently, in February 2017, the Board - subject to sharing it with the Audit and Control Committee, after consulting with the Board of Statutory Auditors and the Responsible Manager - approved the update of the 2016-2018 Audit Plan and the 2017 Work Plan, assigning to the Internal Audit Manager a fund of EUR 90,000 for the performance of the duties linked to his/her function in the FY 2017.

To date, this Plan includes ASTM S.p.A. and its subsidiaries Sina S.p.A., Sineco S.p.A., Igli S.p.A., Siteco Informatica s.r.l. and Itinera S.p.A..

As set out by the Code, the "Internal Audit Manager" periodically prepares reports on his/her activities, the methods with which risks were managed and compliance with the plans defined for their mitigation, submitting them to the Chairpersons of the Board of Statutory Auditors, the Audit and Risk Committee, the Board of Directors and to the "Responsible Director".

11.3. ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

Since 2004, ASTM has adopted an Organisational Model pursuant to Italian Legislative Decree no. 231/01 aimed at preventing the possibility of committing the unlawful acts referred to in the aforementioned Decree and, therefore, at shielding the Company from administrative liability.

The 231 Model - aligned with the principles stated in the "Confindustria Guidelines" approved in March 2002 and last updated in 2014 – was then updated on an ongoing basis, as approved by the Board of Directors, both to take into account the many offences that were gradually included into the scope of the crimes under Decree no. 231/01 and to implement the necessary adjustments due to organisational changes over the years.

The current 231 Model was updated in September 2016 to transpose, in particular, the findings of risk assessment activities on the so-called "self-laundering" offence (Article 25-octies of Italian Legislative Decree 231/2001). In this regard, the Company updated the Code of Ethics by strengthening behavioural rules to be followed in the performance of corporate activities and by adopting a dedicated "tax management" procedure (given that tax offences - although not included in Italian Legislative Decree 231/2001 – are the main supposed self-laundering offence).

The Board of Directors appointed a Supervisory Body ("SB") to which it has allocated the task of monitoring the operation, effectiveness and compliance with the "Model", as well as proposing its update.

The SB - whose members remain in office for a term equal to that of the Management Body - adopts the rules required for its functioning, formalising them in a dedicated regulation.

From 1 January to 28 April 2016, the SB, consisting of the Director Cesare Ferrero (Chairperson), the Standing Auditors Piera Braja and Roberto Sanino, held no. 1 meetings with all its members in attendance. The SB in office - appointed on 28 April 2016 and consisting of the Director Cesare Ferrero (Chairperson), the Standing Auditors Piera Braja and Roberto Sanino - held no. 4 meetings with all its members in attendance.

To date, the Board has not considered the opportunity of delegating the functions of the Supervisory Body to the Board of Statutory Auditors.

Finally, it should be noted that the main subsidiaries of ASTM have adopted a 231 Model and appointed a Surveillance Body, which typically includes one member of the Board of Statutory Auditors.

11.4. INDEPENDENT AUDITORS

Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona 25, enrolled in the independent statutory auditors' register at the Ministry of Economics and Finance, pursuant to Italian Legislative Decree no. 39/2010, carries out statutory audit activities for the Issuer, as mandated by the Shareholders' Meeting on 28 April 2000 for the financial years 2009 to 2017, upon justified proposal of the Board of Statutory Auditors..

It should be noted that, with the approval of the 2016 Financial Statements the statutory audit mandate granted to Deloitte & Touche S.p.A. for the financial years 2008- 2016 by SIAS S.p.A. and major relevant subsidiaries that belong to it shall be terminated. As a result, SIAS S.p.A. will have to grant the nine-year statutory mandate to a new independent statutory auditor, since nine years is the maximum term provided for by Article 17 of Italian Legislative Decree 39/2010.

Given that, as is the case for ASTM, the appointments of the parent companies Aurelia S.r.l. and Argo Finanziaria S.p.A. unipersonale and of other group companies belonging to Aurelia will expire with the approval of the financial statements as at 31 December 2017, with a view to a more efficient co-ordination between ASTM S.p.A. and the other group companies of Aurelia S.r.l., the Company has deemed it appropriate, in accordance with the provisions of Ministerial Decree 261/2012, to proceed with the early and mutually-agreed termination of the statutory audit engagement granted to Deloitte & Touche S.p.A.

It should be noted, as pointed out above, that the reasons underlying the proposed early consensual termination that shall be submitted to the Shareholders' Assembly convened to approve the 2016 Financial Statements, do not in any way relate to the activities carried out or to the conduct adopted by Deloitte & Touche S.p.A. in the performance of the current engagement, nor are they in any way connected and/or attributable to differences of opinion concerning accounting treatment or auditing procedures.

11.5. MANAGER RESPONSIBLE FOR FINANCIAL REPORTING AND OTHER CORPORATE FUNCTIONS

On 30 July 2015, the Board, after the favourable opinion of the Board of Statutory Auditors, appointed - in compliance with the professionalism requirements provided for by applicable regulations and the Articles of Association - as manager responsible for financial reporting Ms. Lucia Scaglione, a Manager of

ASTM who is tasked with preparing the Separate and Consolidated Financial Statements as well as the procedures, group instructions, reporting packages and the management of the process that underlies the preparation of financial reports.

Ms. Scaglione, who meets the statutory requirement of integrity, is entitled to collecting, from the managers of each corporate function, any information deemed relevant for the performance of her duties, as well as to i) structuring and organising, as part of her activity, available human resources; ii) liaising the management and control bodies, including participating *ad audiendum* in the Board meetings pertaining to the analysis and the approval of accounting records, iii) liaising with the Audit and Risk Committee and the Supervisory Body and iv) contributing to the design of IT systems that impact on the economic, financial and equity situation.

The Board, moreover, approved a fee of EUR 45,000, that may be increased upon justified request of the individual in question.

With regard to the above, during 2016 (as in previous financial years) the manager monitored the functioning of the "262 control model", which was implemented in 2007 – according to a topdown approach – within ASTM and its main subsidiaries, in order to achieve compliance with administrative-accounting procedures concerning the tasks governed by Article 154bis of TUF.

Moreover, the implementation of the said model also entailed the appointment of dedicated managers by all Group companies involved.

With a view to optimising controls, within the funds made available to each Manager the assessment of the correct implementation of the aforementioned procedures was carried out, like in previous years, with the help of the consulting firm Protiviti S.r.l., based on the plan drawn up by each Company, according to which tests shall be concentrated in the periods dedicated to the preparation of the Financial Statements and the halfyearly financial report. The results of these controls mainly confirmed the correct implementation of the administrative accounting procedures under review.

The support provided by Protiviti S.r.l. was equal to 44 man/days (11 of which for the activities carried out within SIAS) – in addition to the commitment of Companies' employees.

As part of the procedures concerning the "262 control model", the Managers of all Group Companies forwarded any related "statement" and "certification" concerning annual and interim accounting documents.

In compliance with the provisions of the "Guidelines for the Internal Audit and Risk Management System", the manager reports the findings of his/her activities and checks to the to the Audit and Risk Committee and to the Board of Directors on a half-yearly basis.

11.6. 11.0 CO-ORDINATION BETWEEN INDIVIDUALS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

As described above, the functions and bodies that make up the Issuer's internal audit system report on the activities carried out in order to comply with their institutional tasks and the related findings, according to

the methods and deadlines set out by the related legal and regulatory provisions, as well as by the Code's recommendations providing for their creation.

Moreover, in March 2014 the Issuer, having taken into account the dedicated mapping carried out by a major consultancy firm, analysed the relationships between the functions, with regard to their remit and operations, as well as the related information flows, in order to optimise the related system in a structured and efficient manner, for a timely monitoring and management of risks. At the end of these activities, on 6 March 2014 the Board of Directors codified the co-ordination in place between the various parties/bodies responsible for the function, approving the "Guidelines for the internal audit and risk management system".

12.0 DIRECTORS' INTERESTS AND RELATED PARTIES' TRANSACTIONS

As from 1 January 2011 the procedure on transactions with related parties has entered into force. This procedure was approved by the Board on 26 November 2010 (and subsequently amended on 9 November 2012 and 6 March 2014 with the favourable opinion of the Audit and Risk Committee) in compliance with the Consob Related Parties Regulation, having obtained the favourable opinion of a dedicated Committee, which is made up of all Independent Directors in office.

The Board of Statutory Auditors ascertained that the procedure is compliant with the aforementioned Regulation and acknowledged that it is adequate in order to ensure substantial and procedural transparency and correctness..

The procedure – which is available on the website under section "governance", as well as on the Borsa Italiana's website – sets out i) the amounts that, based on specific materiality indexes, allow the identification of transactions of lesser or greater importance; ii) the transactions that have been excluded and are not subject to the procedure provided for their approval, except for disclosure obligations towards Consob, if of greater importance; iii) the transactions carried out by subsidiaries that shall be subject to approval of the ASTM Board, having heard the opinion of the Audit and Risk Committee.

This category includes:

- a) acquisition or disposal of real estate whose value is higher than EUR 1 million;
- b) merger transactions, division by acquisition or non-proportional division transactions, if a company (which represents related parties' interests that can be defined as significant, as set out in the procedure) takes part in the transaction;
- c) transactions other than those mentioned above, with individual value of over EUR 10 million (such as, by way of non-limiting example, acquisitions or disposals of equity investments, companies or business units, or granting of guarantees).

In this respect, the management authority of the listed subsidiary SIAS S.p.A. is not affected, in line with the practice of not priorly examining or approving the transactions of the aforementioned SIAS S.p.A. and its subsidiaries.

For a correct implementation of the procedure within the ASTM Group, any relevant information and operational instructions were promptly notified to the subsidiaries.

Moreover, for the proper management of the procedure, ASTM's related parties are recorded in a specific database created on the basis of the register of equity investments and statements made by said related parties.

As already mentioned above, the Audit and Risk Committee will issue an opinion on the transactions with related parties, if requirements are met. For the orderly functioning of the Committee, an age-based replacement system has been created if some members are already involved in specific transactions.

A new investigation was carried out in January 2017. Based on whose findings, the Board, having obtained the favourable opinion of the Audit and Risk Committee, not considering that the conditions for a fundamental review of the procedure (deemed essentially suitable to comply with the legal and regulatory provisions on related parties) applied, also shared - in order to simplify and optimise corporate activities - the opportunity to provide that the expert named by the Audit and Risk Committee may assist ASTM in executing the transaction as long as the engagement expressly provides that the expert should also and specifically assist the Committee in the performance of its duties for the purposes of the Procedure.

Any Director who has an interest potential or indirect in corporate transactions shall promptly and fully inform the Board, showing willingness to withdraw from the meeting or refrain from any discussion and related resolution, in case such interest is considered "relevant" by the other Directors. However, the Board has the power to take the most appropriate decisions in case transactions are carried out at normal market conditions on the basis of independent experts' appraisals or if the withdrawal from the meeting of the Directors when the resolution is taken gives reason to believe that the necessary constituent quorum may not be reached.

13.0 APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Article 26 of the Articles of Association, the Board of Statutory Auditors is made up of three Standing Auditors and three Substitute Auditors who are appointed by the Shareholders' Meeting.

Pursuant to Article 27 of the Articles of Association and in order to that a Standing and a Substitute Auditor are elected from the minority, the Board of Statutory Auditors is appointed on the basis of lists submitted by the Shareholders, in which candidates are listed by name and marked with a progressive.

The list is made up of two sections: one for candidates for the office of Acting Auditor, the other for candidates for the office of Alternate Auditor. For the purposes of compliance with current legislation on gender balance, the lists that, considering both sections, have a number of candidates greater than or equal to three must include candidates of different genders in the first two places for both the section for Acting Auditors and that Alternate Auditors.

Only shareholders who alone or together with others hold shares representing the shareholding in the share capital, as set out by law, have the right to submit lists: the legal title to the abovementioned shareholding shall be proved according to the methods and timescales provided by the applicable law.

Each shareholder, as well as Shareholders belonging to the same group and those who have entered into a Shareholders' agreement involving the Company's shares may not submit or vote more than one list, neither through a third party or a trust company. Each candidate may be presented on one list only upon penalty of ineligibility for election.

Those candidates who do not comply with the requirements of integrity and professionalism established by law may not be included in the lists.

At least one Standing Auditor and one Substitute Auditor are chosen among those enrolled in the Auditors' Register and shall have exercised independent statutory audit activities for not less than three years.

Those Auditors who do not comply with the aforementioned requirement are chosen among those who have three years' experience in:

- a) management and control activities and executive duties for corporations with a share capital no lower than EUR 2 million; or
- b) professional or tenured university teaching activities in legal, economic, financial and technical-scientific subjects, with regard to the industrial, commercial, banking, transport services, logistics, technology and IT sectors; or
- c) management posts at public institutions or administrations operating in the credit, financial, insurance, industrial, commercial, transport services, logistics, technology and IT sectors.

The outgoing auditors can be re-elected.

The lists submitted shall be filed at the Company's registered office within the terms and according to the methods set out by current regulations, as mentioned in the meeting's notice.

The declarations by which candidates accept their candidacy and represent, under their own responsibility, that there are no reasons for their ineligibility and incompatibility, together with any document required by law, must be deposited with each list; they also confirm they comply with legislative and statutory requirements.

The list that does not comply with the abovementioned provisions shall be considered as not submitted.

Election of Statutory Auditors will proceed as follows:

1. from the list obtaining the most votes in the Shareholders' Meeting, two acting and two alternate members are taken, based on the sequential order in which they were listed in the sections of the list;
2. from the list obtaining the second most votes in the Shareholders' Meeting, the remaining acting member and the remaining alternate member are taken, based on the sequential order in which they were listed in the sections of the list.

In the event of a tie between two or more lists, the oldest candidates are elected Statutory Auditors up to the number of places to be assigned.

The Chairperson of the Board of Statutory Auditors is assigned to the candidate from the list obtaining the second most votes in the Shareholders' Meeting; in the event of a tie between two or more lists, the

preceding paragraph applies.

Should application of the above procedure not allow, for Standing Auditors, compliance with the legislation on gender balance, the quotient of votes to be attributed to each candidate taken from the acting auditor sections of the various lists is calculated, dividend the number of votes obtained from each list by the sequential number of each of said candidates; the candidate of the most represented gender with the lowest quotient of candidates taken from all the lists is replaced by that belonging to the less represented gender, where indicated, with the immediately higher sequential number, in the same section of the Acting Auditors of the list of the replaced candidate or, alternatively, in the section of the Alternate Auditors of the same list of the replaced candidate (which in this case takes over the position of the alternate candidate he/she replaces). In the event that candidates of different lists obtain the same quotient, the candidate from the list from which the largest number of auditors is taken or, alternatively, the candidate taken from the list which obtained the least votes will be replaced. For the appointment of auditors, for any reason, not appointed in the manner provided above, the Shareholders' Meeting decides with the legal majorities and in compliance with current legislation regarding gender balance.

If legal and statutory requirements cease to apply, the Auditor forfeits his/her office.

In the event of replacement of an Auditor, the alternate auditor belonging to the same list of the one ceased from office shall be appointed, so as to comply with the provisions applicable from time to time with respect to gender balance, with respect to the composition of the Board of Statutory Auditors. if the abovementioned replacement does not allow to comply with the current regulations on gender parity, the Shareholders' Meeting shall be convened as soon as possible so as to comply with such regulations..

In case of integration of the Board of Statutory Auditors following termination of office of one of its members for any reason, the Meeting shall resolve according to the simple majority principle and ensure representation on the Board to the minority as set out in the Articles of Association, as well as compliance with the current regulations on gender parity.

14.0 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2d), TUF)

The Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting on 22 April 2014 for the financial years 201420152016 (i.e. until the approval of the 2016 Financial Statements), based on the 2 filed lists:

- list no. 1 (representing the majority) submitted by the shareholder Argo Finanziaria S.p.A. unipersonale, owning 53.386% of the share capital on the submission date, which includes 2 candidates for the office of Standing Auditor (Piera Braja and Ernesto Ramojno) and 2 candidates for the office of Substitute Auditor (Roberto Coda e Annalisa Donesana);
- list no. 2 (representing the minority) submitted by the shareholder Assicurazioni Generali S.p.A.,

holding 4.341% of the share capital, which includes 1 candidate for the office of Standing Auditor (Marco Fazzini) and 1 candidate for the office of Substitute Auditor (Massimo Berni). Upon filing, this list also included the statement certifying that no relations existed with reference shareholders, as set out by the regulatory provisions issued by Consob, implementing art. 148 of TUF.

According to Consob Resolution no. 18775 of 29 January 2014, the minimum shareholding in the share capital required in order to submit candidate lists was set out as 2.5%.

The Shareholders meeting approved a compensation of EUR 39,000.00 for the Chairperson and EUR 26,000.00 for each Standing Auditor. Compensation payable to the Auditors in 2016 is detailed in the table shown in the Remuneration Report, which can be viewed on the Company's website, under the "governance" section.

All Auditors confirmed compliance with the independence requirements set out by the regulations and the Articles of Association. Marco Fazzini was confirmed as the Chairperson of the Board, as selected by minority shareholders..

With regard to voting, out of a total of 68,893,366 shares present at the meeting (equal to 78.288% of the share capital), the list representing the majority was voted by 48,627,395 shares, while the list representing the minority was voted by 20,235,428 shares. For both lists, the votes were as follows: 29,540 votes against, 3 votes abstained and 1,000 non-voting shares.

For each voting, the list with the names of the Shareholders and their votes is included in the meeting's minutes of 22 April 2014, which have been published on the Company's website under the "governance" section.

The Ordinary Shareholders' Meeting that shall be convene to resolve on the 2016 Financial Statements will have to appoint the new Board of Statutory Auditors. To this end, with Resolution no. 19856 of 25 January 2017, Consob set the percentage required to submit a list at 2.5%.

Some short bibliographical notes on the members of the Board of Statutory Auditors are detailed below. Their full curricula vitae, together with the list to which they belong, are published on the website, under the "governance" section:

Marco Fazzini Born in Florence on 12 October 1974. He gained a degree in Business Administration at the Economy Department of the University of Florence. He is enrolled in the Register of Public Accountants and Independent Statutory Accountants. He is professor of Methodology and Quantitative Standards for Companies at the European University of Rome and of Extraordinary Transactions at the University of Florence. He has also authored many monographs and articles.

Offices held in other companies: Chairperson of the Board of Statutory Auditors: Compagnia Aeronautica Italiana (CAI) S.p.A.; Standing Auditor: Galileo TO Process Equipment s.r.l.; Sole auditor: Bluclad s.r.l.; Sole independent statutory auditor: Firenze Convention Bureau S.c.r.l., Centro Studi Turistici;

Piera Braja: (born in Turin on 15 June 1964. She gained a degree in Economics and Business Administration at the University of Turin and works as chartered accountant, mainly providing consultancy services on corporate and tax matters to commercial companies, both with respect to ordinary operations and extraordinary or restructuring transactions. She is enrolled in the register of independent statutory auditors, as well as on the role of Court-appointed expert witnesses of the Court of Turin.

Offices held in other companies: Chairperson of the Board of Statutory Auditors: Sait Finanziaria S.p.A., Sait Abrasivi S.p.A., Farid Industrie S.p.A. (Farid European Group), Cerrato S.r.l.; Standing auditor: CA.NOVA S.p.A. (Gruppo GTT), Danfoss Power Solution S.r.l., Feg Brivio S.p.A. (Farid European Group), Feg S.p.A. (Farid European Group), Finpat S.p.A., Ischia Geotermia s.r.l. (Gruppo CIE), Immobiliare Isober S.p.A., Jacobacci & Partners S.p.A., O.M.T. - Officine Meccaniche Torinesi S.p.A.;

Ernesto Ramojno: Born in Turin on 5 July 1949. He gained a degree in Economics and Business Administration at the University of Turin. He acquired, through the exercise of the profession of chartered accountant and his office as member of the Board of Directors of major companies, including Ferrero S.p.A., Fiat Chrysler Risk Management S.p.A., business administration competencies with particular respect to the corporate, tax and banking sectors.

Offices held: Chairperson of the Board of Statutory Auditors: Accornero Mollificio S.p.A., Alessandria Calore S.r.l., D. Print S.p.A., Ferrero S.p.A., Ondulato Torinese S.p.A., Rieter Design S.r.l. in liquidation, S.T.E. Soluzioni Tecniche Energetiche S.p.A., Sereco Piemonte S.p.A., Simta S.p.A., Sofir Felt Gestione Immobiliare S.p.A., STS Acoustics S.p.A.; Standing auditor: Altav S.r.l., Barricalla S.p.A., C.I.E. S.p.A., Concilium S.p.A., Environment Park S.p.A., Ferrero Industriale Italia S.r.l., Fiat Chrysler Risk Management S.p.A., Ivrea 24 Abitare Sostenibile S.p.A., Rosso S.p.A., Sait Abrasivi S.p.A., Sait Finanziaria S.p.A., Sitalfa S.p.A.; Sole Director: Foam Immobiliare S.p.A.; Managing Partner: Giomar s.s., Lucy s.s..

Massimo Berni: Born in Florence on 13 September 1949. He gained a degree in Economics and Business Administration at the University of Florence. He works as chartered accountant, is on the role of Court-appointed expert witnesses of the Court of Florence, based on which he has acted as curator, judicial commissioner and judicial liquidator in insolvency proceedings.

Offices held: Chairperson of the Board of Statutory Auditors: Moka Arra S.p.A.; Standing auditor: A.F.S. S.p.A. (Azienda Farmacie e Servizi), Gualfonda S.p.A..

Roberto Coda: Born in Florence on 03 September 1959. He gained a degree in Economics and Business Administration at the University of Turin. He works as chartered accountant, mainly focussing on tax and corporate matters, with a specialisation in corporate restructuring, mergers, acquisitions and international tax planning. He is a member of the Board of Directors and the Board of Statutory Auditors of industrial companies and utilities, providing advisory services to companies and families on wealth management and succession planning.

Offices held: Board Member: Arkavita S.r.l., Budo S.r.l., Consorzio Area PD, GI Pharma S.r.l., Investinfuture, Logico S.r.l., New Bravo Seven, Centro Congressi Torino Metropoli S.p.A., Fondazione

Torino Musei, Graglia Immobiliare S.s.; Standing auditor and independent statutory auditor: Aida Ambiente S.r.l., Autostrade Bergamasche S.p.A., Aurora Uno S.p.A., Arka Technologies S.r.l., Coopcasa Piemonte, Cooperativa Giuseppe di Vittorio, Cooperativa Musetta, Cooperativa Quadrifoglio 91, Cooperativa San Pancrazio, Consorzio Valli di Lanzo, Gm S.r.l., Immobiliare Ropa S.p.A., Itinera S.p.A., Jazz S.p.A., La Quercia - Società Cooperativa Edilizia, Risorse Idriche S.p.A., Segreto Fiduciaria S.p.A., Ste S.p.A., S.I.I. S.p.A., Società Canavese Acque, Risorse Idriche S.p.A.; Standing auditor: Associazione Primo Levi, Confservizi Piemonte Valle d'Aosta, Fast-Loc S.p.A., Finsoft S.r.l., Invicta S.p.A., Seven S.p.A., Sicogen S.r.l.; Sole auditor: CIAC S.c.a.r.l.; Chairperson of the Board of Statutory Auditors and independent statutory auditor: Chieppa S.p.A., Cts Solutions S.r.l.; Chairperson of the Board of Statutory Auditors: Prima Electro S.p.A.; Independent statutory auditor: Consorzio Riva Sinistra Stura;

Annalisa Donesana: born in Treviglio (BG) on 9 June 1966. She gained a degree in Economics and Business Administration at Bocconi University in Milan. She works as chartered accountant and has acquired significant experience in tax matters, particularly with respect to international tax law and listed companies. She works as a consultant in international restructuring transactions for major groups operating in the real estate, plant, food, chemical, fashion-luxury sectors.

Offices held: Standing auditor: SIAS S.p.A., DeA Capital Real Estate S.p.A., DeA Capital S.p.A., A2A Energia S.p.A., Banca del Mezzogiorno - Mediocredito Centrale S.p.A., IDeA Fimit SGR, Casa di Cura San Pio X S.r.l..

With regard to the above, Table 3 (included in the Appendix) provides a summary of the data concerning the Board of Statutory Auditors.

In 2016, the Board held no. 9 meetings. The no. 11 Board meetings were attended by 96.97% of members on average.

The duration of each meeting varied according to the issues discussed.

With regard to its institutional tasks and the frequency of its assessments, in 2017 the Board of Statutory Auditors anticipates to meet at least on a quarterly basis. Five meetings have been held since the beginning of the financial year.

Compliance with the independence requirements set out by the Code (that was stated upon filing of the lists and upon acceptance of the candidature) was positively assessed following the renewal by both the Board of Statutory Auditors and the Board of Directors, as well as during the annual assessment made in February 2017.

If requirements are met, the Auditors shall promptly provide information on the transactions in which on own account or on behalf of third parties they have an interest, as provided for by the Code.

The Board of Statutory Auditors supervised the independence of the Independent Auditors, by assessing the nature and entity of the services, other than the audit, provided to the Issuer and its subsidiaries. The

results of these controls were published in the annual report to the Shareholders' Meeting, pursuant to Article 153 of TUF.

Within their functions, the Auditors have acquired information also through meetings with the Independent Auditors' representatives, the Boards of Statutory Auditors of the subsidiaries SIAS S.p.A. (listed on the MTA, as known), Sina S.p.A., Sineco S.p.A., Igli S.p.A. and Itinera S.p.A., the Supervisory Body (that includes a member of the Board of Statutory Auditors, as mentioned above) and by taking part in the meetings of the Remuneration Committee and the Audit and Risk Committee (also in its capacity as Committee for Related Parties Transactions).

15.0 SHAREHOLDERS' RELATIONS

In order to make the access to information quicker and easier, the Issuer pays particular attention to the creation and updating of its website, with specific reference to "financial information" and "corporate governance".

Moreover, the website contains a descriptive profile of the Group and its investee companies, as well as the Financial Statements, the halfyearly financial report, the interim management reports of the Issuer, the Articles of Association, the Regulations for Shareholders' Meetings, press releases and the reports on the issues discussed at the Shareholders' Meetings, including notice of call and related minutes.

Upon the appointment of Corporate Bodies, the lists of candidates, together with personal and professional details, are made available on the website.

In any case, the Chairperson and the Managing Director in compliance with the procedure concerning the disclosure of documents and information on the Issuer have taken any necessary action so as to create and promote dialogue with the Shareholders and Institutional Investors, based on the understanding of reciprocal roles and functions.

So to make sure that these relationships are professionally handled and managed and taking into account the principles contained in the "*Guidelines for disclosure of information to the market*", the investor relations' officer carries out intense and constant information activities with regard to the results, as well as the growth and development prospects of the Issuer and the Group, by means of both personal and institutional meetings with investors and analysts, both in Italy and abroad.

The investor relations' officer, Mr. Stefano Viviano, may be contacted at the following email address: investor.relations@astm.it.

With regard to their roles, the Chairperson, the Managing Director and the investor relations' officer availed themselves of the Board's and General Secretariats, especially as regards communications to the relevant Authorities and Shareholders..

16.0 SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2c), TUF)

In light of the Articles of Association and the reference legal and regulatory provisions, those persons who sent the company the legitimation notice of the qualified broker – based on the records obtained at the

end of the accounting day of the seventh open market day before the date of the Meeting – can take part in the Meeting and express their vote.

Those who are entitled to vote can be represented at the Meeting by written proxy or proxy sent electronically, in compliance with applicable regulations.

The Chairperson shall ascertain the validity of proxies.

The electronic notification of the proxy shall be made by using the dedicated section of the Company's website or the dedicated email address, according to the methods described in the notice of call.

For each Shareholders' Meeting, the Company can appoint – by specifying it in the notice of call – a person to whom the Shareholders can give a proxy with voting instructions on one or all issues on the agenda, according to the methods and terms set out by law and regulations. The proxy is valid only with regard to those issues for which voting instructions have been given.

The Meeting is chaired by the Chairperson of the Board of Directors. In case of absence or impediment, it is chaired by a Deputy Chairperson or, if both are absent, by another person appointed by the Meeting.

The Chairperson appoints the Secretary with the approval of the Meeting and, if necessary, two scrutineers, by choosing them among the Shareholders with voting right or their representatives.

In the cases provided for by law, or if deemed appropriate by the Chairperson of the Meeting, the minutes are prepared by a Notary Public appointed by the Chairperson. In this case, it is not necessary to appoint a Secretary.

The (ordinary and extraordinary) Shareholders' Meeting is duly convened and takes resolutions according to the majorities set out by current regulations.

As of today, the Issuer does not provide for the possibility of taking part in the Meetings by means of audio-visual connection systems, electronic vote or voting by correspondence.

With regard to the annual Shareholders' Meeting held on 28 April 2016, the Shareholder Argo Finanziaria S.p.A. unipersonale, as disclosed to the market, submitted, together with its candidate list, draft resolutions on item 4) Appointment of the Board of Directors (4.1 Determination of the number of members of the Board of Directors, 4.2 Determination of the term of the Board of Directors, 4.4 Appointment of the Chairperson of the Board of Directors and 4.5 Determination of the remuneration of the members of the Board of Directors).

Draft resolutions were formulated on the items on the agenda directly by the Board of Directors in the illustrative reports prepared for such purposes for the Shareholders.

Regulations for Shareholders' Meeting

In 2001, the Issuer adopted the Regulations for Shareholders' Meetings in line with the model issued by ABI and Assonime to enable the orderly and proper functioning of meetings.

On 17 November 2010, upon proposal of the Board and in line with the provisions contained in the Articles of Association, the Ordinary Shareholders' Meeting approved to align the regulations on its functioning with Italian Legislative Decree no. 27 of 27 January 2010 with regard to the exercise of some

rights of listed companies' Shareholders.

More specifically, the aforementioned Regulations govern the operating methods for the Meeting's activities and the exercise of participants' rights. In this regard, the Chairperson opens the discussion and calls those members who requested to speak according to a priority order; if necessary, the Chairperson may decide that speeches shall be booked in writing, with indication of the subject.

After having provided any personal detail and the number of votes represented each person who is entitled to take part in the meeting has the right to report on each of the issues on the agenda and make observations, as well as proposals.

Taking into account the subject and relevance of each single issue as well as the questions received before the Meeting and the number of persons who want to speak the Chairperson may predetermine the duration of speeches and answers by notifying the participants, so as to make sure that works are completed within one single meeting.

For further information on the rules governing the Issuer's meetings, reference should be made to Regulations' provisions published on the website (under the "governance" section).

Information to Shareholders

At the meetings, the Board provides the Shareholders with information on the Issuer, in compliance with the regulations on insider trading information.

During the meetings, the Chairperson and the Managing Director strive to provide the Shareholders with the information necessary or useful to pass resolutions.

More specifically on the basis of the documents, concerning the points on the agenda, that are given to all participants the main features of any transaction and resolution that shall be examined and approved by the Shareholders are explained. Maximum openness is ensured to talk and discuss the requests for clarifications submitted by the participants.

11 Directors took part in the Annual General Meeting held on 28 April 2016.

Changes in capitalisation and shareholding structure

The Directors believe that the provisions contained in the Articles of Association concerning percentages for the exercise of the actions and rights for the safeguard of minorities are in line with the current market capitalisation of the ASTM security.

17.0 ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, paragraph 2a), TUF)

No further corporate governance policies are reported than those detailed in previous paragraphs and currently applied by the Issuer, except for the obligations set out by legal and regulatory provisions.

18.0 CHANGES OCCURRED SINCE THE END OF THE REFERENCE FINANCIAL YEAR

After the end of FY 2016, no changes occurred in the Issuer's governance structure, except - as already mentioned - the resignation of Marco Antonio Cassou from the office of Board Director on 28 March 2017.

Tortona, 29 March 2017

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TABLES

TABLE 1: INFORMATION ON CORPORATE OWNERSHIP

At 29/03/2017

SHARE CAPITAL STRUCTURE				
	No. of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	98,998,600 ⁽¹⁾	100	MTA (FTSE Italia Mid Cap Index)	
Shares with more than one vote	=	=	=	=
Shares with limited voting right	=	=	=	=
Shares without voting right	=	=	=	=
Other	=	=	=	=

⁽¹⁾ Pursuant to Articles 2359-bis and 2357-ter of the Italian Civil Code, the voting right is suspended for no. 6,497,328 treasury shares owned by the Company, no. 21,500 shares held by the subsidiary ATIVA S.p.A. and no. 58,878 shares held by the subsidiary Autostrada Albenga Garessio Ceva S.p.A..

SIGNIFICANT EQUITY INVESTMENTS IN THE SHARE CAPITAL			
Declarant	Direct shareholder	% share of ordinary share capital	% share of voting share capital
Aurelia S.r.l.	Aurelia S.r.l.	0.555	0.555
	Argo Finanziaria S.p.A. Unipersonale	56.597	56.597
	Codelfa S.p.A.	1.967	1.967
	Total Group	59.119	59.119
Astm S.p.A.	Astm S.p.A.	6.563	6.563
		voting right suspended pursuant to Article 2357-ter of the Italian Civil Code	voting right suspended pursuant to Article 2357-ter of the Italian Civil Code
	ATIVA S.p.A.	0.024	0.024
		voting right suspended pursuant to Article 2359-ter of the Italian Civil Code	voting right suspended pursuant to Article 2359-ter of the Italian Civil Code
	Società Autostrada Albenga Garessio Ceva S.p.A.	0.059	0.059
		voting right suspended pursuant to Article 2359-ter of the Italian Civil Code	voting right suspended pursuant to Article 2359-ter of the Italian Civil Code
	Total Group	6.646	6.646

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES UP TO 28/04/2016

Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Board of Directors							Risk and Control Committee		Remuneration Committee	
						List **	Executive	Non-executive	Independent pursuant to the Code	Independent pursuant to TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)
01) Chairperson	GROS-PIETRO G. M.	1942	20/04/2012	10/06/2013	Approval of 2015 Financial Statements	M	x				2	5/5				
02) Deputy-Chairperson	GAVIO D.	1958	24/03/1994	10/06/2013	Approval of 2015 Financial Statements	M	x				=	3/5				
03) Deputy-Chairperson	GAVIO M.	1967	28/04/2010	10/06/2013	Approval of 2015 Financial Statements	M	x				1	5/5				
04) Managing Director °	RUBEGNI A.	1951	10/06/2013	10/06/2013	Approval of 2015 Financial Statements	M	x				3.5	5/5				
05) Director	BARIATTI S.	1956	10/06/2013	10/06/2013	Approval of 2015 Financial Statements	M		x			1	3/5				
06) Director	BIMA C.	1960	10/06/2013	10/06/2013	Approval of 2015 Financial Statements	M		x	x	x	1	5/5			3/3	M
07) Director *	BOMARSI L. ⁽¹⁾	1959	06/12/2012	10/06/2013	Approval of 2015 Financial Statements	M		x			=	5/5				
08) Director	DEZZANI F. ⁽¹⁾	1941	10/06/2013	10/06/2013	Approval of 2015 Financial Statements	M		x	x	x	2	4/5	9/9	p		
09) Director	FERRERO C. ⁽¹⁾	1936	04/05/2001	10/06/2013	Approval of 2015 Financial Statements	M		x		x	3	3/5				
10) Director	GAROFANO G.	1944	10/05/2007	10/06/2013	Approval of 2015 Financial Statements	M		x	x	x	2	5/5	9/9	M		
11) Director	POGGIALI B.	1963	10/06/2013	10/06/2013	Approval of 2015 Financial Statements	M		x	x	x	2	4/5	6/9	M		
12) Director	ROTH L.	1940	28/04/2010	10/06/2013	Approval of 2015 Financial Statements	M		x	x	x	3	4/5			3/3	M
13) Director	VIVIANO S.	1976	28/04/2010	10/06/2013	Approval of 2015 Financial Statements	M	x				2	5/5				
14) Director	WEIGMANN M.	1940	10/06/2013	10/06/2013	Approval of 2015 Financial Statements	M		x	x	x	4	5/5			3/3	P
DIRECTOR WHO CEASED FROM OFFICE DURING THE FINANCIAL YEAR UNDER REVIEW																
Director	DAVIDE P. ⁽²⁾	1972	28/09/2015	28/09/2015	03/02/2016	M		x			=	1/1				
Number of meetings held during FY 2016 (until 28/04/2016)						Board of Directors: 5				Risk and Control Committee: 9			Remuneration Committee: 3			
Quorum required in order for minorities to submit lists for the appointment of one or several members (pursuant to Article 147-ter TUF): 2.5%																

NOTES

⁽¹⁾ Director ceased to hold office on 28/04/2016 as he was not reappointed when the Annual General Meeting renewed the Management Body.

⁽²⁾ Resignation tendered on 03/02/2016

• This symbol indicates the "Director responsible for the internal audit and risk management system".

◊ This symbol indicates the main supervisor for the Issuer's management (Managing Director or CEO).

Appointed Managing Director, with Board resolution of 28/09/2015, in replacement of the resigning member, on the same date, Alberto Sacchi

* The date of first appointment of each Director means the date on which the Director was appointed for the first time (in absolute terms) to the Board of Directors of the Issuer.

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

*** This column shows the number of offices held as Director or Auditor in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large enterprises, based on the data recorded in January 2016, with reference to the "Report on corporate governance and ownership structure" for the FY 2015, to which we refer you for a comprehensive list of the aforementioned offices.

**** This column shows with an "X" that the Board Member belongs to the Committee.

(*) This column shows the percentage of directors' attendance to the meetings of the Board of Directors and the Committees, respectively (no. of attendances/no. of meetings held during the term of office by the interested party).

(**) This column shows the Director's office in the Committee: "C": Chairperson; "m": Member.

TABLE 2.1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES SINCE 28/04/2016

Office	Members	Board of Directors											Risk and Control Committee		Remuneration Committee	
		Year of birth	Date of first appointment *	In office since	In office until	List **	Executive	Non-executive	Independent pursuant to the Code	Independent pursuant to TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)
01) Chairperson	GROS-PIETRO G. M.	1942	20/04/2012	28/04/2016	Approval of 2018 Financial Statements	M		x			2	6/6				
02) Deputy Chairperson	GAVIO D.	1958	24/03/1994	28/04/2016	Approval of 2018 Financial Statements	M		x			=	6/6				
03) Deputy Chairperson	GAVIO M.	1967	28/04/2010	28/04/2016	Approval of 2018 Financial Statements	M		x			2.5	5/6				
04) Managing Director ^o	RUBEGNI A.	1951	10/06/2013	28/04/2016	Approval of 2018 Financial Statements	M	x				4	6/6				
05) Director	BARIATTI S.	1956	10/06/2013	28/04/2016	Approval of 2018 Financial Statements	M		x			1	6/6				
06) Director	BIMA C.	1960	10/06/2013	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	1	6/6				
07) Director	CASSOU M.A. ⁽¹⁾	1957	28/04/2016	28/04/2016	28/03/2017	M		x			5	5/6				
08) Director	GAROFANO G.	1944	10/05/2007	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	2.5	6/6	4/4	P		
09) Director	GATTO G.	1941	28/04/2016	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	=	6/6	4/4	M		
10) Director	GAVIO B.	1965	28/04/2016	28/04/2016	Approval of 2018 Financial Statements	M	x				1.5	6/6				
11) Director	POGGIALI B.	1963	10/06/2013	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	4.5	6/6			2/2	M
12) Director	ROTH L.	1940	28/04/2010	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	4	6/6	4/4	M		
13) Director	SVELTO A.C.	1968	28/04/2016	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	1	6/6			2/2	M
14) Director [*]	VIVIANO S.	1976	28/04/2010	28/04/2016	Approval of 2018 Financial Statements	M	x				1	6/6				
15) Director	WEIGMANN M.	1940	10/06/2013	28/04/2016	Approval of 2018 Financial Statements	M		x	x	x	4	5/6			2/2	P
Number of meetings held during FY 2016 (from 28/04/2016)						Board of Directors: 6				Risk and Control Committee: 4			Remuneration Committee: 2			
Quorum required in order for minorities to submit lists for the appointment of one or several members (pursuant to Article 147-ter TUF): 1.00%																

NOTES

⁽¹⁾ Resigned from 28 March 2017

• This symbol indicates the "Director responsible for the internal audit and risk management system".

◊ This symbol indicates the main supervisor for the Issuer's management (Managing Director or CEO).

* The date of first appointment of each Director means the date on which the Director was appointed for the first time (in absolute terms) to the Board of Directors of the Issuer.

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

*** This column shows the number of offices held as Director or Auditor in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large enterprises. The list in the Annex shows (based on the data as at January 2017, with reference to the parameters and calculation criteria provided for by the "procedure for the maximum number of offices held" adopted by the Issuer) the aforementioned companies, specifying whether they are part of the group to which the Issuer belongs.

(*) This column shows the percentage of directors' attendance to the meetings of the Board of Directors and the Committees, respectively (no. of attendances/no. of meetings held during the term of office by the interested party).

(**) This column shows the Director's office in the Committee: "C": Chairperson; "M": Member.

Offices as director or auditor held by some Directors in other companies listed on regulated markets (including foreign markets), in financial, banking, insurance or large enterprises.

Member	Company	Office held
BARIATTI S.	Società Iniziative Autostradali e Servizi S.p.A. ⁽¹⁾ Banca Monte dei Paschi di Siena S.p.A.	Chairperson of the Board of Directors Director
BIMA C.	Unicredit Leasing S.p.A.	Director
Cassou M. A.	Ecorodovias Concessoes Servicos Ecorodovias Infrastruttura e Logistica Primav - Construções e Comercio SA.	Chairperson Chairperson Chairperson
GAROFANO G.	Industria e Innovazione S.p.A. Miroglio S.p.A. Miroglio Textile S.p.A.	Chairperson of the Board of Directors Director Director
GATTO G.	Itinera S.p.A. ⁽¹⁾	Director
GAVIO B.	Aurelia s.r.l. ⁽²⁾ Ecorodovias Infrastruttura e Logistica Primav Infrastruttura S/A Società Iniziative Autostradali e Servizi S.p.A. ⁽¹⁾	Chairperson of the Board of Directors Director Chairperson of the Board of Directors Director
GAVIO D.	Società Iniziative Autostradali e Servizi S.p.A. ⁽¹⁾ Società Autostrada Torino-Alessandria-Piacenza S.p.A. ⁽¹⁾ Società Autostrada Ligure Toscana S.p.A. ⁽¹⁾ Aurelia s.r.l. ⁽²⁾	Deputy-Chairperson of the Board of Directors Deputy-Chairperson of the Board of Directors Acting Deputy-Chairperson and Member of the Executive Committee Director
GAVIO M.	Aurelia s.r.l. ⁽²⁾ Bonifiche Ferraresi S.p.A. Società Agricola Ecorodovias Infrastruttura e Logistica Primav Infrastruttura S/A	Deputy-Chairperson of the Board of Directors Director Alternate Director Alternate Director
Gros-Pietro GM.	Intesa Sanpaolo S.p.A. Edison S.p.A.	Chairperson of the Board of Directors Director
POGGIALI B.	Snai S.p.A. Falck Renewables S.p.A. Banco Posta Sgr Postemobile S.p.A. SIA S.p.A.	Director Director Director Chairperson Director
ROTH L.	Sec S.p.A. Alba Leasing S.p.A. Eurovita S.p.A. Alkimis Sgr	Chairperson of the Board of Directors Chairperson of the Board of Directors Director Director
Rubegni A.	Itinera S.p.A. ⁽¹⁾ Autostrade Lombarde S.p.A. Società di Progetto Brebemi S.p.A. Tangenziale Esterna S.p.A. Ecorodovias Infrastruttura e Logistica Primav Infrastruttura S/A	Chairperson of the Board of Directors Director Director Director Director Director
Svelto A. C.	Enel S.p.A.	Director
VIVIANO S.	Tangenziale Esterna S.p.A.	Director
WEIGMANN M.	Buzzi Unicem S.p.A. Società Reale Mutua di Assicurazioni S.p.A. Italiana Assicurazioni S.p.A. (Gruppo Reale Mutua Ass.) Reale Immobili S.p.A. (Gruppo Reale Mutua Ass.) Banca Reale S.p.A. (Gruppo Reale Mutua Ass.) Reale Seguros Generales S.A. (Gruppo Reale Mutua Ass.) Inmobiliaria Grupo Asegurador Reale S.A. (Gruppo Reale Mutua Ass.) Reale Vida Y Pensiones Sociedad Anonima de Seguros (Gruppo Reale Mutua Ass.) Auchan S.p.A.	Director Director and Member of the Executive Committee Director Director Director Deputy Chairperson Deputy Chairperson Deputy Chairperson Director

⁽¹⁾ subsidiary of the Issuer

⁽²⁾ Parent Company of the Issuer

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Independent pursuant to the Code	Attendance to Board of Statutory Auditors' Meetings ***	Number of other offices ****
Chairperson	FAZZINI M.	1974	29/04/2011	22/04/2014	Approval of 2016 Financial Statements	M	x	9/9	4
Standing auditor	BRAJA P.	1964	22/04/2014	22/04/2014	Approval of 2016 Financial Statements	M	x	9/9	13
Standing auditor	RAMOJNO E.	1949	29/04/2011	22/04/2014	Approval of 2016 Financial Statements	M	x	8/9	26
Substitute auditor	BERNI M.	1949	22/06/1999	22/04/2014	Approval of 2016 Financial Statements	m	x		3
Substitute auditor	CODA R.	1959	29/04/2005	22/04/2014	Approval of 2016 Financial Statements	M	x		42
Substitute auditor	DONESANA A.	1966	22/04/2014	22/04/2014	Approval of 2016 Financial Statements	M	x		7
Number of meetings held during FY 2016 : 9									
Quorum required in order for minorities to submit lists for the appointment of one or several members (pursuant to Article 148 TUF): 2.5%									

NOTES

- * The date of first appointment of each Auditor means the date on which the Auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the Issuer.
- ** This column indicates the list from which each Auditor was drawn ("M": majority list; "m": minority list).
- *** This column shows the percentage of Auditors' attendance to the meetings of the Board of Statutory Auditors (no. of attendances/no. of meetings held during the term of office by the interested party).
- **** This column shows the number of offices as Director or Auditor held by the involved party, pursuant to Article 148-bis of TUF and the relevant implementing provisions contained in the Consob Issuers' Regulation. The full list of offices is published by Consob on its website, pursuant to Article 144-quinquiesdecies of Consob Issuers' Regulation. Moreover, given that, following the amendments introduced by Consob Resolution no. 18079 of 20 January 2012 to the Consob Issuer Regulation, which entered into force on 22 February 2012, the regulations on the limitation on total mandates for the members of control bodies is valid only for those who hold an office in more than one listed or widely distributed issuer, the number of "other offices" reflects the assessment launched in January 2017 with the interested parties.

Paragraph on “Main features of risk management and internal audit systems with respect to the financial disclosure process”, pursuant to Article 123-bis, paragraph 2 b), TUF.

1) Foreword

As already pointed out in the "Report on corporate governance and ownership structure", the internal audit system of ASTM is made up of functions and organisations that – according to their roles and institutional tasks – allow the achievement of the strategic objectives of the Issuer and the ASTM Group, through the constant monitoring and identification of the main corporate risks. With regard to the financial reporting process, these objectives may be the reliability, accuracy and timeliness of reporting.

Based on the system used – which includes rules, procedures and guidelines – ASTM ensures a suitable information flow and data exchange with its subsidiaries, through constant and timely coordination and update activities.

In this context, reference is made to both the regulation on the application of reference accounting standards (i.e. the Group accounting manual) and the procedures governing the preparation of the Consolidated Financial Statements and the periodic accounting statements, which include those for the management of the consolidation system and intercompany transactions. Any related document is distributed by the Parent Company so that subsidiaries can implement it.

2) Description of the main features of the existing risk management and internal audit system with regard to the financial reporting process

The assessment, monitoring and update of the Internal Audit System with regard to financial reporting includes an analysis (at Group level) of organisational and operating structures according to a risk identification/assessment procedure based on the use of the so-called "risk scoring" method.

Thanks to this activity, assessments can be carried out focusing on those areas characterised by higher risks and/or relevance, or on the risks of major errors (also as a consequence of frauds) in the items of financial statements and any related information document. To this end, the activity aims at:

- identifying and assessing the origin and probability of major errors in the items of the economic-financial reporting;
- assessing if key controls are adequately defined, so that it is possible to identify – in advance or afterwards – any possible error in the items of the economic financial reporting;
- assessing control operations based on the assessment of error risks for financial reporting,

focusing testing on higher risk areas.

The risk assessment process adopted allows the identification of organisational structures, processes and any related accounting item, as well as any specific activity, which can give rise to major potential errors. For each administrative accounting process, testing activities are carried out with regard to so-called "key controls" that, according to international best practices, mainly fall into the categories detailed below:

- controls at Group level or for each single subsidiary, such as the assignment of responsibilities, powers and proxies, the separation of duties and rights to access IT applications;
- controls at process level, such as the issue of authorisations, the implementation of reconciliations and consistency assessments, etc.. This category includes controls on operational and accounting closing processes. These controls can be "preventive", i.e. aimed at preventing any anomaly or fraud that could give rise to errors in the financial reporting, or "detective", i.e. aimed at identifying existing anomalies or frauds. These controls can be "manual" or "automatic" (e.g. application controls that refer to the technical and setting features of the information systems supporting business activities).

Testing activities are carried out by a major consulting firm, with the help of the employees of each subsidiary, by using sampling techniques recognised by international best practices.

The assessment of controls, if deemed appropriate, may involve the identification of compensating controls, corrective actions or improvement plans.