



fincantieri

report on corporate governance  
and ownership structure

pursuant to art. 123-*bis* of the Italian Consolidated Financial Law (TUF)

Approved by the Board of Directors  
on 31<sup>st</sup> March 2016

**FINCANTIERI**  
The sea ahead



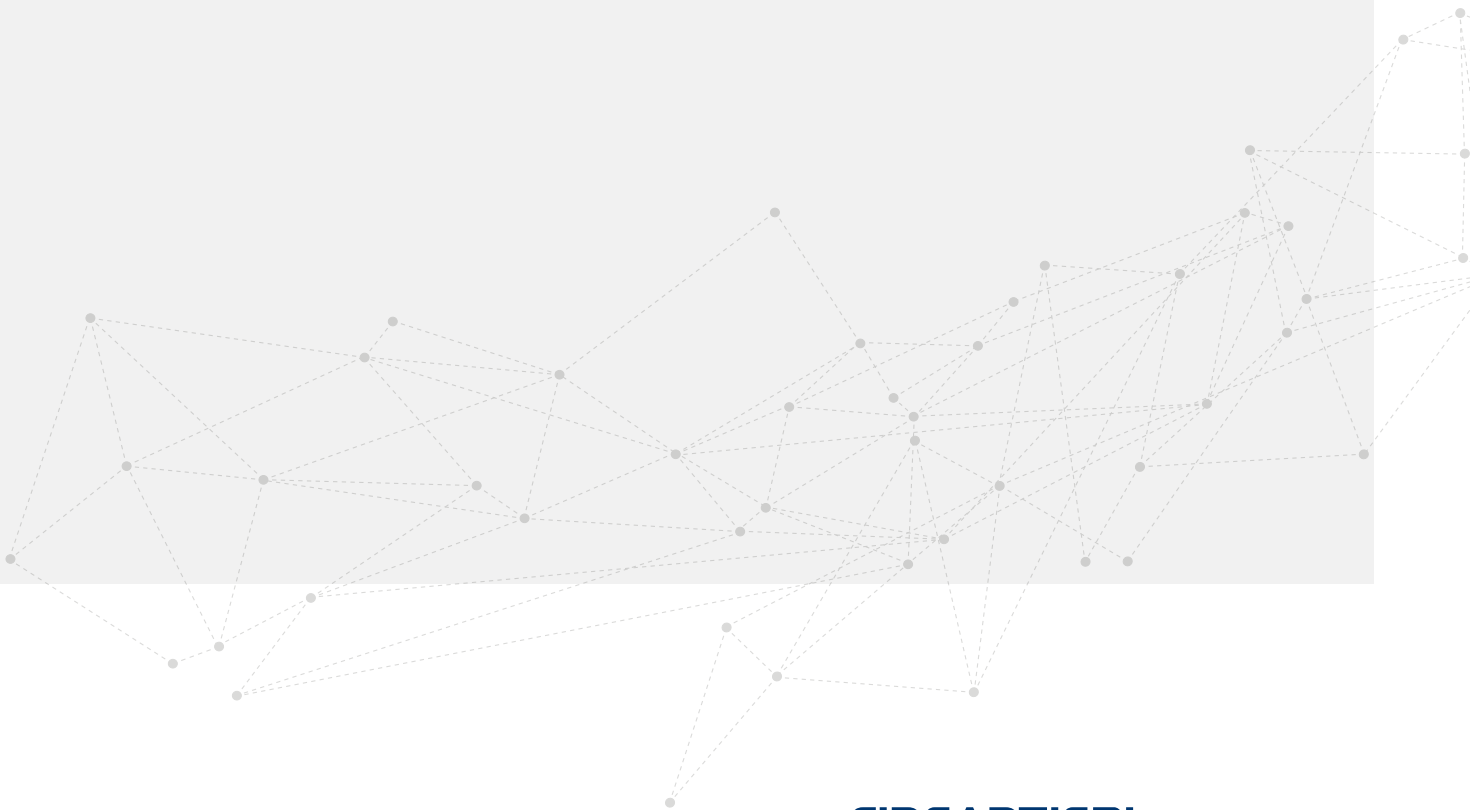


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# Glossary

## **Fincantieri or the Company**

FINCANTIERI S.p.A.

## **Borsa Italiana**

Borsa Italiana S.p.A.

## **Corporate Governance Code or Code**

The self-governance Code of listed companies drafted by the Corporate Governance Committee of Borsa Italiana S.p.A. (Italian Stock Exchange)

## **Code of Conduct**

The Code of Conduct adopted by the Company as described in paragraph 4.3 of this Report

## **Control and Risk Committee**

The internal control and risk management Committee set up by the Board of Directors pursuant to Article 7 of the Corporate Governance Code

## **Corporate Governance Committee**

The Corporate Governance Committee established by Borsa Italiana S.p.A., ABI, Ania, Assonime, Confindustria and Assogestioni

## **Remuneration Committee**

The Committee established by the Board of Directors pursuant to Article 6 of the Corporate Governance Code

## **Nomination Committee**

The Committee established by the Board of Directors pursuant to Article 5 of the Corporate Governance Code

## **Committee for Related Party Transactions or RPT Committee**

The Committee involved in handling related party transactions pursuant to CONSOB (Stock Exchange Regulatory Authority) Regulation, approved by resolution No. 17221 of 12 March, 2010, as subsequently amended and supplemented

## **Board of Directors or Board**

The Board of Directors of Fincantieri



**Group**

Fincantieri and its subsidiaries pursuant to Article 93 of the Consolidated Financial Act (TUF)

**Organizational Model**

The Organizational Model adopted by the Company pursuant to Legislative Decree No. 231/2001

**Offering Circular**

The Offering Circular for the public offer for sale and subscription and admission to listing on the Electronic Stock Market (MTA) organized and managed by Borsa Italiana S.p.A. of Fincantieri ordinary shares

**CONSOB Regulation on Related Party Transactions**

The Regulation adopted by CONSOB (Stock Exchange Regulatory Authority) by resolution No. 17221 of 12 March 2010, as amended

**Issuers Regulation**

The Regulation issued by CONSOB by resolution No. 11971 of 14 May 1999 on issuers, as amended

**Corporate Governance Report or Report**

This Report on Corporate Governance and Ownership Structure, drawn up pursuant to Article 123-bis of the Italian Consolidated Financial Act (TUF)

**Head of Internal Auditing**

The Head of the Internal Auditing Function appointed pursuant to Article 7.C.1 of the Corporate Governance Code

**By-laws**

By-laws of Fincantieri in force as of the date of the Report

**Italian Consolidated Financial Act (TUF)**

Legislative Decree No. 58 of 24 February 1998, as amended

**Disclaimer**

This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.





# report on corporate governance and ownership structure

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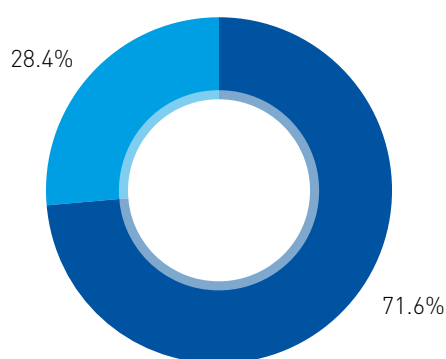
# Executive Summary

## SHAREHOLDERS

The graphs below detail the composition of the ownership and type of investors.

### SHAREHOLDER STRUCTURE

### CHARACTERISTICS OF THE SHAREHOLDER STRUCTURE



■ Fintecna S.p.A.  
■ Flottante

|  | YES/NO | % CAPITAL |
|--|--------|-----------|
| Shareholders' agreements   | No     |           |
| Shareholding threshold for the submission of slates for the appointment of corporate bodies and officers | -      | 1%        |

## COMPOSITION OF THE BOARD OF DIRECTORS AS OF THE DATE OF THE REPORT

| DIRECTOR            | OFFICE                  | EXPIRY OF TERM                                       | OFFICE        | IND. UNDER LAW | IND. UNDER CODE | CRC | CC | NC |
|---------------------|-------------------------|--|---------------|----------------|-----------------|-----|----|----|
| Giuseppe Bono       | Chief Executive Officer | Sh. meeting to approve the 2015 financial statements | Executive     | -              | -               | -   | -  | -  |
| Vincenzo Petrone    | Chairperson             | Sh. meeting to approve the 2015 financial statements | Executive     | -              | -               | -   | -  | -  |
| Simone Anichini     | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive | ✓              | ✓               | (*) | C  | C  |
| Massimiliano Cesare | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive | ✓              | ✓               | C   | -  | X  |
| Paolo Scudieri      | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive | ✓              | ✓               | X   | X  | -  |
| Paola Santarelli    | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive | ✓              | ✓               | -   | -  | -  |
| Leone Pattofatto    | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive | -              | -               | X   | -  | X  |

(\*) Member of the CRC (Control and Risk Committee) replacing Director Pattofatto when the Committee examines material transactions with related-parties.

CRC: Control and Risk Committee

CC: Remuneration Committee

NC: Nomination Committee

C: Chairperson of the Committee.

✓: Satisfies the requirements.

X: Member of the Committee.



## COMPOSITION OF THE BOARD OF DIRECTORS DURING 2015

| DIRECTOR            | OFFICE                  | EXPIRY OF TERM                                       | OFFICE                                      | IND. UNDER LAW | IND. UNDER CODE | CRC            | RC             | NC |
|---------------------|-------------------------|--|---|----------------|-----------------|----------------|----------------|----|
| Giuseppe Bono       | Chief Executive Officer | Sh. meeting to approve the 2015 financial statements | Executive                                   | -              | -               | -              | -              | -  |
| Vincenzo Petrone    | Chairperson             | Sh. meeting to approve the 2015 financial statements | Executive                                   | -              | -               | -              | -              | -  |
| Simone Anichini     | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive                               | ✓              | ✓               | <sup>1</sup>   | P <sup>2</sup> | C  |
| Massimiliano Cesare | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive                               | ✓              | ✓               | C              |                | X  |
| Andrea Mangoni      | Director <sup>3</sup>   | Sh. meeting to approve the 2015 financial statements | Executive pursuant to the Code <sup>4</sup> | - <sup>5</sup> | - <sup>5</sup>  | - <sup>6</sup> | - <sup>7</sup> |    |
| Paolo Scudieri      | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive                               | ✓              | ✓               | X              | X <sup>8</sup> |    |
| Paola Santarelli    | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive                               | ✓              | -               |                |                |    |
| Anna Molinotti      | Director <sup>9</sup>   | Sh. meeting to approve the 2015 financial statements | Non-executive                               | -              | -               |                | X              |    |
| Leone Pattofatto    | Director                | Sh. meeting to approve the 2015 financial statements | Non-executive                               | -              | -               | X              |                | X  |

<sup>1</sup> From 13 February 2015, Member of the Control and Risk Committee to replace Director Pattofatto when the Committee examines material related party transactions.

<sup>2</sup> Chairperson of the Remuneration Committee from 13 February 2015.

<sup>3</sup> Appointed General Manager on 13 February 2015, taking up office with effect from 13 March 2015. Resigned as Director and General Manager with effect from 9 November 2015.

<sup>4</sup> As from 13 February 2015, by appointment to the office of General Manager of the Company.

<sup>5</sup> Prior to 13 February 2015, Mr. Andrea Mangoni was independent pursuant to law and to the Corporate Governance Code.

<sup>6</sup> Until 13 February 2015, Member of the Control and Risk Committee replacing Director Pattofatto when the Committee examines material related party transactions.

<sup>7</sup> Ceased from office as Chairperson of the Committee as from 13 February 2015.

<sup>8</sup> New member of the Remuneration Committee as from 13 February 2015.

<sup>9</sup> Resigned from office as Director and member of the Remuneration Committee with effect from 21 March 2016.

CRC: Control and Risk Committee

RC: Remuneration Committee

NC: Nomination Committee

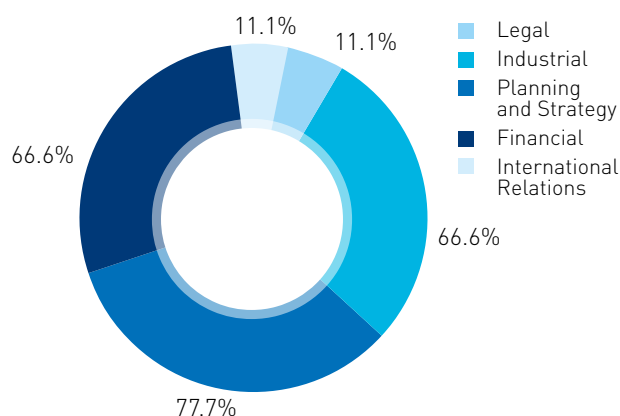
C: Chairperson of the Committee

✓: Satisfies the requirements

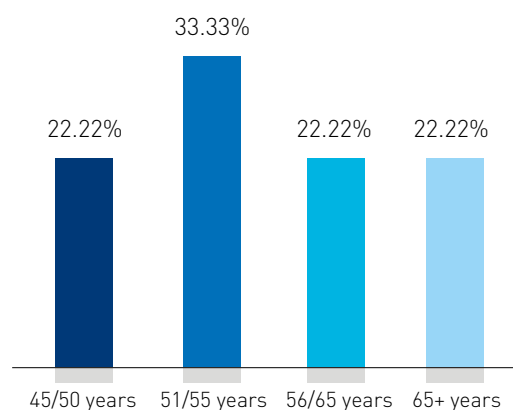
X Member of the Committee

## CHARACTERISTICS OF THE BOARD MEMBERS

### AREAS OF EXPERTISE



### AGE



## COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

| MEMBERS                 | OFFICE            | EXPIRY OF TERM                                   |
|-------------------------|-------------------|--|
| Gianluca Ferrero        | Chairperson       | Meeting to approve the 2016 financial statements |
| Alessandro Michelotti   | Standing Auditor  | Meeting to approve the 2016 financial statements |
| Fioranna Vittoria Negri | Standing Auditor  | Meeting to approve the 2016 financial statements |
| Claudia Mezzabotta      | Alternate Auditor | Meeting to approve the 2016 financial statements |
| Flavia Daunia Minutillo | Alternate Auditor | Meeting to approve the 2016 financial statements |

## OTHER INFORMATION ON THE BOARD OF DIRECTORS, COMMITTEES AND BOARD OF STATUTORY AUDITORS (\*)

|   | FINCANTIERI     |                             |                              | AVERAGE FOR LISTED COMPANIES (*) |         |
|---|-----------------|-----------------------------|------------------------------|----------------------------------|---------|
|   | until 13.2.2015 | from 13.2.2015 to 8.11.2015 | from 9.11.2015 to 31.12.2015 | ALL-SHARE                        | MID CAP |
| Number of Directors   | 9               | 9                           | 8                            | 9.8                              | 11.2    |
| % executive   | 22.2            | 33.3                        | 25                           | 29.2                             | 24.3    |
| % non-executive   | 77.8            | 66.7                        | 75                           | 70.8                             | 75.7    |
| % non-executive that do not qualify as independent under the Code | 33.3            | 44.4                        | 37.5                         | -                                | -       |
| % independent under the Code                                      | 44.4            | 33.3                        | 37.5                         | 40.5                             | 45      |
| % less represented gender   | 22.2            | 22.2                        | 25                           | -                                | -       |
| Average age of Directors  | 56.6            | 57.5                        | 58.1                         | 58.1                             | 58.7    |
| No. BoD meetings  | 2               | 8                           | 3                            | 10.1                             | 10.5    |
| % attendance at BoD meetings                                      | 93.7            | 95.8                        | 87.5                         | 91.2                             | -       |
| Average duration of BoD meetings                                  | 90 min          | 180 min                     | 176 min                      | 132 min                          | 151 min |
| <i>Board evaluation</i>   | -               | July 2015                   | -                            | 78.9%                            | 96.6%   |
| Position on multiple roles/offices                                | adopted         | adopted                     | adopted                      | 45.6%                            | 65.5%   |
| FINCANTIERI<br>No. of CRC meetings                                |                 | 10                          |                              | 7.46                             | 7.95    |
| % attendance at CRC meetings                                      |                 | 100                         |                              | 9.41                             | -       |
| Average duration of CRC meetings                                  |                 | 88 min                      |                              | 108 min                          | 114 min |
| No of RC meetings   |                 | 10                          |                              | 3.72                             | 3.9     |
| % attendance at RC meetings                                       |                 | 100                         |                              | 95.5                             | -       |
| Average duration of RC meetings                                   |                 | 68 min                      |                              | 69 min                           | 71 min  |
| No. of NC meetings  |                 | 4                           |                              | 2.5                              | 1.7     |
| % attendance at NC meetings                                       |                 | 100                         |                              | 95.2                             | -       |
| Average duration of NC meetings                                   |                 | 52 min                      |                              | 59 min                           | 78 min  |

|                                   | FINCANTIERI     | FINCANTIERI                 | FINCANTIERI                  | AVERAGE FOR LISTED COMPANIES (*) |         |
|-----------------------------------|-----------------|-----------------------------|------------------------------|----------------------------------|---------|
|                                   | until 13.2.2015 | from 13.2.2015 to 8.11.2015 | from 9.11.2015 to 31.12.2015 | ALL-SHARE                        | MID CAP |
| FINCANTIERI<br>Number of Auditors |                 | 3                           |                              | -                                | -       |
| Average age of Auditors           |                 | 54.6                        |                              | 56.9                             | 57.3    |
| No. of meetings                   |                 | 11                          |                              | 11.9                             | 13      |
| Average duration of meetings      |                 | 250 min                     |                              | 147 min                          | 135 min |
| % attendance by Auditors          |                 | 96.9%                       |                              | 95.6%                            | -       |

**[\*] The statistical data of this table for Fincantieri refer to the composition and operation of the Board of Directors, the Committees and the Board of Statutory Auditors during the 2015 financial year.**

**[\*\*]** Latest available data taken from the Assonime – Emittenti Titoli S.p.A. report: “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain (year 2015)” of November 2015.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

| BODY / FUNCTION                 | NOTES   |   |
|---------------------------------|---|---|
| Director in charge of the ICRMS | Chief Executive Officer   |   |
| Internal Auditing Function      | -   | Inside the Company  |
| Head of Internal Auditing       | Stefano Dentilli  | Reports to the Board of Directors   |
| Financial Reporting Officer     | Carlo Gainelli  | Head of Group Accounting and Administration                                       |
| Supervisory Body                | Guido Zanardi (Chairperson)<br>Giorgio Pani<br>Stefano Dentilli | External member<br>External member<br>External member                             |
| Independent Auditors            | PricewaterhouseCoopers S.p.A.                                   | Expiry of term:<br>Shareholders' Meeting to approve the 2021 financial statements |

# Introduction

This Report contains the information required by Article 123-*bis* of the Italian Consolidated Financial Act (TUF) and the regulatory provisions in force applicable to the corporate governance system adopted by the Company, as well as its ownership structure. In line with the recommendations of the Corporate Governance Code<sup>1</sup>, which the Company observes, this Report also contains complete and accurate information on the manner in which the Company complies with the principles and criteria of the Code, indicating (when applicable) any specific recommendations which the Company does not adhere to.

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1. Available on the Corporate Governance Committee's website, in its various editions:  
<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>



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## Company Profile

Fincantieri's operations are focused on high value-added segments, with a high level of engineering know-how and a high unitary value of manufactured vessels. In all of these segments, Fincantieri holds a leadership position that makes it one of the most technologically sophisticated groups worldwide.

The Fincantieri Group is the world leader in the design and construction of cruise ships, one of the world leaders in the design and construction of military combat, auxiliary and special vessels, including submarines and one of the main operators worldwide in the design and construction of high range offshore support vessels. The Group has visibly positioned itself in all of its business segments with a diversified product portfolio that includes, in addition to cruise ships, naval and high-level offshore support vessels (OSV), as well as ferries, mega-yachts, other offshore ships and marine systems and components. The Group also performs repair and conversion services, as well as post-sale services.

In the context of the aforementioned operations, Fincantieri operates through three operating segments: Shipbuilding, Offshore and Systems, Equipment and Services.

The Shipbuilding operating segment includes the design and construction of cruise ships, ferries, naval vessels and mega-yachts, as well as ship repair and conversion activities.

The Offshore operating segment includes the design and construction of support vessels for the oil and natural gas exploration and production market. Fincantieri operates in this sector through the VARD Group, FINCANTIERI S.p.A. and Fincantieri Oil&Gas S.p.A.

Finally, the Systems, Equipment and Services operating segment includes the design and manufacturing of systems and components, as well as the provision of after-sales services for naval production. These activities are performed by FINCANTIERI S.p.A. and its subsidiaries Isotta Fraschini Motori S.p.A., Delfi S.r.l., Seastema S.p.A. and FMSNA Inc..

The Fincantieri Group, based in Trieste, has approximately 20,100 employees, of whom approximately 7,800 in Italy and it has operations in 19 countries on 4 different continents. Fincantieri has 69 subsidiaries, 12 of which are Italian and 57 foreign; the main subsidiaries are: Orizzonte Sistemi Navali S.p.A., Isotta Fraschini Motori S.p.A., Fincantieri Marine Systems North America Inc., Fincantieri Marine Group LLC, CETENA S.p.A. and VARD, a group with operational headquarters in Norway listed on the Singapore Stock Exchange.



# Information on the ownership structure

## 1. Ownership structure

### 1.1 STRUCTURE OF THE SHARE CAPITAL

The Company's share capital consists exclusively of ordinary shares without nominal value.

The shares are registered, indivisible and each share entitles the holder to one vote. The shares are freely transferable.

As of 31 December 2015, Fincantieri's share capital amounted to Euro 862,980,725.70 consisting of 1,692,119,070 shares. This figure is also confirmed as of the date of this Report.

The Company's shares are listed on the Italian Electronic Stock Market (MTA) organized and managed by Borsa Italiana.

### 1.2 SIGNIFICANT SHAREHOLDINGS AND SHAREHOLDERS' AGREEMENTS

The shareholders' register of Fincantieri, the reports to CONSOB received by the Company and other information available to the Company reveal that, as of the date of this Report, no person – with the exception of the controlling shareholder (see below) – holds a shareholding in Fincantieri that exceeds 3%, nor are there any known shareholders' agreements pursuant to Article 122 of the Consolidated Financial Act (TUF) involving the Company's shares.

71.6% of the Company's share capital is held indirectly by Cassa Depositi e Prestiti S.p.A. (the Bank for Deposits and Loans, a company controlled by the Italian Ministry of the Economy and Finance) through its subsidiary Fintecna S.p.A.

| MAIN SHAREHOLDERS                |                 | % OF FINCANTIERI<br>SHARE CAPITAL |
|----------------------------------|-----------------|-----------------------------------|
| INDIRECT                         | DIRECT          |                                   |
| Cassa Depositi e Prestiti S.p.A. | Fintecna S.p.A. | 71.6%                             |

Since the start date of trading on the Electronic Stock Market (MTA) of Fincantieri's shares (3 July 2014), the Company is no longer subject to direction and coordination by Fintecna S.p.A. pursuant to Articles 2497 *et seq.* Italian Civil Code. The Offering Circular (referred to herein) shows that from that date Fintecna S.p.A. ceased all direction and coordination activities over the Company. Consequently Fincantieri: (i) operates in full independence in its dealings with clients and suppliers and is not subject to any outside interference; (ii) independently prepares the Company's and the Group's strategic, industrial, financial and/or budget plans; (iii) is not subject to rules issued by Fintecna S.p.A.; (iv) has not entered into treasury contracts with Fintecna S.p.A. and has not assigned to Fintecna S.p.A. any financial assistance or coordination functions; (v) does not receive directives

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or instructions from Fintecna S.p.A. on financial or lending matters, on the implementation of extraordinary transactions or on business strategies.

### 1.3 LIMITS ON SHAREHOLDINGS AND ON VOTING RIGHTS

Pursuant to Article 3 of Law Decree No. 332 of 31 May 1994, converted with amendments into Law No. 474 of 30 July 1994, (known as the “Law on Privatizations”), Article 6-*bis* of the company’s By-laws provides that no person or entity other than the Italian State or public bodies or entities controlled by it may, on any basis whatsoever, hold shares in Fincantieri representing more than 5% of its share capital, unless permitted by applicable legislative and regulatory provisions.

This equity interest ceiling is calculated also by taking into account the overall shareholding held by the controlling party, whether it be a natural or legal person or entity, by all direct and indirect subsidiaries, as well as by companies controlled by a single controlling entity, by affiliate entities and also by natural persons who are associated by family or kinship relations up to the second degree or by marriage, provided that the spouse in question is not legally separated. In calculating the aforementioned 5% ceiling, account is also taken of shares held through trust companies and/or indirectly through other intermediaries in general.

Voting rights may not be exercised for shares held over and above this 5% limit, and the voting rights that would have been exercisable by each of the parties subject to the shareholding ceiling shall be proportionately reduced, save as otherwise jointly indicated by the shareholders concerned. If the above rules are infringed, the shareholders’ resolution may be challenged pursuant to Article 2377 Italian Civil Code, if the required majority would not have been achieved without the votes that exceeded the maximum ceiling. Shares for which the voting rights may not be exercised are still taken into account, however, for purposes of the determining whether the Shareholders’ Meeting has been properly constituted.

However, the Law on Privatizations dictates that the By-laws clause which limits shareholdings and voting rights will not apply if the 5% limit is exceeded following a public tender offer as a result of which the offeror acquires an equity interest amounting to at least 75% of the share capital with rights to vote on resolutions related to the appointment and removal of directors.

### 1.4 SPECIAL POWERS OF THE ITALIAN STATE

Based on the type of activities carried out, the Company is subject to the provisions of Article 1 of Law Decree No. 21 of 15 March 2012, converted with amendments into Law No. 56 of 11 May 2012, (“Law Decree No. 21/2012”) on the Italian State’s special powers in defence and national security (the so-called “golden powers”).

In particular, Article 1 specifies that, with reference to companies that engage in “*activities of strategic importance for the defence and national security system*”, the Italian State, in the event of a threat of serious harm to its key national defence and national security interests, and irrespective of any relevant provisions contained in the company’s By-laws<sup>2</sup>, may:

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2. These powers are exercised by Decree of the President of the Council of Ministers, which adoption is based on a corresponding resolution of the Council of Ministers to be transmitted simultaneously to the competent Parliamentary Commissions.

- a) impose specific conditions on the security of procurements, on the security of information, on technological transfers, on controls of exports where shareholdings are purchased (on any basis whatsoever) in enterprises that engage in business operations of strategic importance to national defence or national security;
- b) prohibit the adoption of resolutions by the Shareholders' Meeting or management bodies of an enterprise referred to in letter a) related to the merger or demerger of the company, transfer of the company or business units thereof or of subsidiaries, transfer abroad of the company headquarters, amendment of the corporate purpose, dissolution of the company, amendment of any provisions of the company By-laws adopted pursuant to Article 2351, paragraph 3, Italian Civil Code or introduced pursuant to Article 3, paragraph 1, of Law Decree No. 332/1994<sup>3</sup>, sale of in *rem* rights or rights of use related to tangible or intangible assets or acceptance of restrictions constraining their use;
- c) oppose the purchase, on any basis whatsoever, of equity interests in a company referred to in letter a) by an entity other than the Italian State, Italian public entities or entities controlled by the same, if the purchaser comes to hold, directly or indirectly, including through subsequent acquisitions, through intermediaries or otherwise affiliated entities, equity interests with voting rights to an extent that could compromise national defence and national security in specific cases. To this end, the above rules apply to any shareholding held by third parties with whom the purchaser has entered into any of the agreements referred to in Article 122 of the Consolidated Financial Act (TUF) or those referred to in Article 2341-*bis* Italian Civil Code.

In implementing Law Decree No. 21/2012, the “*activities of strategic importance for the defence and national security system*”, have been identified by Decree No. 253 of the President of the Council of Ministers of 30 November 2012, (“DPCM No. 253/2012”), as subsequently rescinded and replaced by Decree no. 108 of the President of the Council of Ministers of 6 June 2014, (“DPCM No. 108/2014”).

#### 1.4.1 The Italian State's veto power over certain corporate resolutions

As described above, the Italian State has veto powers over resolutions adopted by the Fincantieri Shareholders' Meeting or Board of Directors, in the areas referred to in Article 1, paragraph 1, letter b) of Law Decree No. 21/2012 (see letter b) of paragraph 1.4 above).

In assessing the possibility that key defence and national security interests could be adversely affected as a result of such resolutions, pursuant to Article 1, paragraph 2, of Law Decree No. 21/2012, the Italian Government takes into account - while also considering the resolution's subject matter - the strategic importance of the assets or enterprises being transferred, the ability of the structure that results from the resolution or from the transaction to guarantee the integrity of national defence and national security system, the security of military defence information, the State's international interests, the protection of the national territory, critical and strategic infrastructures and borders, as well as any other elements that need to be evaluated in the event that equity interests are purchased in the situations referred to in paragraph 1.4.2. below.

If the veto power is exercised, Fincantieri shall provide the President of the Council of Ministers with complete information on the resolution or act to be adopted - prior to adopting a resolution or other act on the aforementioned matters - and the President of the Council of Ministers will take any necessary decisions and notify them to Fincantieri in accordance with the procedures and deadlines provided for by Law Decree No. 21/2012 and by Presidential Decree No. 35 of 19 February 2014 (“DPR No. 35/2014”).

More particularly, the President of the Council of Ministers must notify its veto (if any) within 15 business days from the aforementioned notification and this term may be extended by an additional

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3. As most recently amended pursuant to Article 3 of Decree-Law No. 21/2012.

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10 business days if a request for additional information is made. If there is no veto by the time this deadline expires, the transaction may be implemented (silence implying consent). This veto power may also take the form of specific requirements or conditions being imposed, provided this can ensure that the country's key defence and national security interests are safeguarded. Resolutions or acts adopted in breach of the aforementioned veto power will be null and void. The Presidency of the Council of Ministers may also require the company and the counterparty in question to reinstate the *status quo ante* at their expense. Law Decree No. 21/2012 imposes fines if these provisions are infringed, up to twice the value of the operation but no less than 1% of the enterprises' cumulative turnover in the most recent financial year for which financial statements have been approved.

#### 1.4.2 Power of the Italian State to impose conditions or oppose the purchase of shareholdings in the Company

Pursuant to Article 1, paragraph 5, of Law Decree No. 21/2012, any person - except for the Italian State, Italian public entities or entities controlled by them - that acquires a shareholding in the Company which exceeds the threshold provided under Article 120, paragraph 2, of the Consolidated Financial Act (TUF) or a shareholding that exceeds the thresholds of 3%, 5%, 10%, 15%, 20% and 25%, shall, within 10 days of such acquisition, inform the President of the Council of Ministers about the same acquisition. Following such notification, the Italian State may impose specific conditions in accordance with Article 1, paragraph 1, letter a) of Law Decree No. 21/2012 (see the above paragraph a) of paragraph 1.4 above) or oppose the acquisition of the shareholding in accordance with Article 1, paragraph 1, letter c), of Law Decree No. 21/2012 (see paragraph c) of paragraph 1.4 above), if it considers that the State's key national defence and national security interests are adversely affected as a result of such acquisition.

Pursuant to Article 1, paragraph 3, of Law Decree No. 21/2012, in order to assess the likelihood that the State's key national defence and national security interests will be adversely affected as a result of the acquisition of the shareholding, the Government, -basing on principles of proportionality and reasonableness and also considering the purchaser's potential influence over the company and the size of the shareholding acquired, will take into account the following:

- a) the adequacy (also considering the manner in which the acquisition is financed) of the purchaser's economic, financial, technical and organisational capabilities and of the industrial plan, related to the regular continuance of operations, to ensure the maintenance of technological assets, including key strategic assets, the security and continuity of procurements, as well as the prompt implementation of contractual obligations that the company whose shareholding is being acquired has entered into with public and governmental entities, whether directly or indirectly, specifically in relation to obligations associated with national defence, public order and national security;
- b) the existence (taking due account of the official positions of the European Union) of objective reasons which suggest that links exist between the purchaser and third party countries that do not recognize principles of democracy or the rule of law, or do not honour rules of international law or have engaged in conduct that, considering the nature of their alliances, appear to be threatening to the international community, or that have dealings with criminal or terrorist organizations or with persons or entities related to such organizations.

Decisions involving the possible imposition of conditions or the exercise of the power of opposition are adopted by the President of the Council of Ministers and notified to the purchaser in accordance with procedures and timeframes envisaged by Law Decree No. 21/2012 and Presidential Decree No. 35/2014.

More particularly, within 15 business days of the notification (which may be extended by an additional 10 business day if a request for further information is made), the President of the Council of Ministers shall communicate the imposition of conditions or the exercise of the power of opposition.

Until the expiry of the deadline for the imposition of conditions or for the exercise of the power of opposition, voting rights and rights unrelated to economic rights associated with the shares representing the relevant shareholding are suspended.

If the President of the Council of Ministers exercises the power to impose conditions and if the conditions imposed upon the purchaser are infringed or not complied with (and for as long as any such infringement or non-compliance continues), then voting rights and rights unrelated to economic rights associated with the shares representing the relevant shareholding are suspended. Any resolutions adopted with the decisive vote of such shares or quotas, as well as resolutions, agreements or actions adopted in breach of the conditions imposed, will be null and void. Unless the relevant conduct constitutes a criminal offense, a purchaser who fails to honour the conditions imposed will be subject to a fine equal to twice the value of the transaction but no lower than 1% of the turnover produced in the most recent financial year for which financial statements have been approved.

If the power to oppose the shareholder's acquisition is exercised, the purchaser may not exercise voting rights or rights other than economic rights, related to the shares representing the shareholding in question, and will be obliged to transfer such shares within one year. If this requirement is infringed, the Court, at the request of the President of the Council of Ministers, shall order the shareholding in question to be sold in accordance with the procedures envisaged by Article 2359-ter of the Italian Civil Code. Any Shareholders' Meeting resolutions adopted with the decisive vote of such shares shall be null and void.

Therefore, without prejudice to the mandatory ceilings on shareholdings envisaged by Article 6-*bis* of the Company's By-laws (see paragraph 1.3 above), any party – with the exception of the Italian State, Italian public entities or entities controlled by them – who acquires shareholdings that exceed the thresholds provided for in Article 1, paragraph 5, of Law Decree No. 21/2012, will be subject to the procedure of notification to the President of the Council of Ministers, to enable the Italian State to exercise its special powers, if necessary. In specific circumstances, this may lead to the State imposing conditions on or opposing the acquisition of corporate shareholdings in the Company by third parties.

Moreover, note that Article 3 of Law Decree No. 21/2012 provides that, subject to the power to oppose the acquisition (referred to in Article 1, paragraph 1, letter c) of Law Decree 21/2012), any type of acquisition by a non-EU party<sup>4</sup> of shareholdings in Fincantieri is permitted on condition of reciprocity, in accordance with international agreements signed by Italy or the European Union.

## 1.5 EMPLOYEE SHAREHOLDINGS: MECHANISMS FOR EXERCISING VOTING RIGHTS

Article 137, third paragraph, of the Consolidated Financial Act (TUF) provides that the By-laws of listed companies may contain provisions aimed at facilitating proxy voting by shareholders who are employees.

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<sup>4</sup> Pursuant to Article 2, paragraph 5, last sentence, of Decree-Law No. 21/2012, "non-EU party" means "any natural or legal person or entity that does not have its residence, habitual domicile, registered office, administrative office or main centre of business operations in a Member State of the European Union or of the European Economic Area or that is not based there".



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In line with the foregoing, Article 15 of Fincantieri's By-laws expressly provides that, in order to facilitate the gathering of proxies from shareholders who are employees of the Company and its subsidiaries and members of associations of shareholders who satisfy the requirements of applicable regulatory provisions, spaces to be used for communications and for gathering proxies should be made available to such associations of shareholders, according to the terms and procedures from time to time agreed with their legal representatives.

As of the date of this Report, the Company has not been notified of the establishment of any association of employee shareholders.

## 1.6 APPOINTMENT AND REPLACEMENT OF THE DIRECTORS AND AMENDMENTS OF THE COMPANY'S BY-LAWS

The regulations and provisions of the By-laws, which govern the appointment and replacement of the Company's Directors, are described in paragraph 2.2.4 of this Report.

Amendments to the By-laws are adopted by extraordinary Shareholders' Meeting, observing the quorums envisaged by applicable rules.

Subject to the foregoing, pursuant to Article 2365 of the Italian Civil Code, Article 25 of the By-laws empowers the Board of Directors:

- to adopt resolutions relating to mergers and demergers in the cases envisaged by law;
- to establish or close secondary offices;
- to indicate which directors are authorised to represent the Company;
- to reduce the share capital in the event that one or more shareholders withdraw from the company;
- to adapt the By-laws to ensure compliance with applicable regulatory provisions;
- to transfer the headquarters within Italy.

## 1.7 AUTHORISATIONS TO INCREASE SHARE CAPITAL AND TO ISSUE EQUITY SECURITIES OR TO PURCHASE TREASURY SHARES

As of the date of this Report, no delegated powers have been granted to the Board of Directors to increase the share capital in accordance with Article 2443 of the Italian Civil Code, nor have any authorizations been granted to issue equity securities or purchase treasury shares of the Company pursuant to Articles pursuant to Articles 2357 *et seq.* of the Italian Civil Code.

## 1.8 CHANGE OF CONTROL CLAUSES

### A) 2013 Bond Issue

In November 2013, Fincantieri issued an unsecured bond reserved to institutional investors totalling Euro 300 million, in order to provide the Company with adequate financial flexibility to pursue its development plans and to complete the expansion projects already underway. The bond, placed at an issue price of 99.442% of its nominal value, pays interest at a fixed rate per annum of 3.75%, to be paid through annual coupons in arrears due every year on 19 November

and redemption of principal in a single instalment on 19 November 2018. The bonds are listed on the Luxembourg Stock Exchange.

The terms and conditions of the bond entitle the bondholders to request early redemption of the bonds in the event of a change of control ("change of control clause"). The phrase "change of control" refers to a circumstance in which an entity other than the Italian State (or Ministries) or entities or companies directly or indirectly controlled by the Italian State or by its Ministries, comes to hold: (a) the power (i) to exercise or control the exercise of more than one half of the votes that may be given in the ordinary Shareholders' Meeting of the Company or (ii) to appoint or remove (as a result of exercising a dominant influence within the meaning of Article 2359, paragraph 1, Nos. 2 and 3, Italian Civil Code, or otherwise) all or a majority of the members of the Company's Board of Directors or (iii) to give binding instructions to the Company's Board of Directors regarding operational and financial guidelines and policy directives; or (b) the ability to exercise a dominant influence within the meaning of Article 2359, paragraph 1, Nos. 2 and 3 Italian Civil Code on the Company or on the entity that controls it.

#### **B) EIB Loan**

In 2012, in order to finance its research and development programs, the Company requested and obtained a loan from the European Investment Bank ("EIB") totalling Euro 140 million.

This loan total was disbursed in three different tranches, as follows: (i) the first tranche for Euro 80 million disbursed in July 2012; (ii) the second and third tranches, of Euro 30 million each, disbursed in March 2013.

The Company fully repaid these loans during 2015, prior to the agreed final maturities. The change of control clause contained in the loan agreement was therefore inapplicable.

#### **C) Mediobanca Loan**

On 25 February 2015, Fincantieri and Mediobanca - Banca di Credito Finanziario S.p.A. ("Mediobanca") signed an unsecured loan agreement for Euro 65 million, to enable Fincantieri to meet the demands associated with current operations and/or with refinancing part of its debt. The disbursement was made on 9 March 2015.

Fincantieri is obliged to pay a lump-sum repayment on 25 May 2017. Interest, due every six months, is calculated at the annual nominal Euribor rate, plus a spread of 1.50%.

Fincantieri is obliged to pay Mediobanca in advance the amount of principal still outstanding, accrued interest and any other amounts contractually due, by the 5th business day after Mediobanca requests this, in the event that: (a) a person/entity (individually or together with other persons acting in concert) other than the Italian State (or its Ministries) or bodies or companies directly or indirectly controlled by it or by its Ministries, acquires the power (i) to exercise or control the exercise of at least one half of the votes that may be given in the Shareholders' Meeting of the Company, or (ii) to appoint or remove (as a result of the exercise of dominant influence pursuant to Article 2359, paragraph 1, Nos. 2 and 3 Italian Civil Code or otherwise), all or a majority of the members of the Company's Board of Directors and (b) Fincantieri and Mediobanca, within 30 business days of the occurrence of these events, fail to reach agreement on changes to be made to the loan agreement.

#### **D) BPER Loan**

In June 2015, Fincantieri sought and obtained an unsecured loan from Banca Popolare dell'Emilia Romagna ("BPER") for Euro 25 million, to meet the financial demands associated with its current operations. The disbursement was made on 26 June 2015, upon signing the loan agreement.

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The repayment will take place over 36 months in 6 equal instalments, payable every six months, the first on 26 December 2016 and the last on 26 June 2019. Interest, payable every six months, is calculated at the annual nominal Euribor rate plus a spread of 1.50%.

The loan agreement has a change of control clause entitling BPER to request early repayment of the remaining debt and the payment of whatever is due on that basis, by the 5th business day after Mediobanca requests this, in the event that: 1) a person/entity other than the Italian State (or its Ministries) or bodies or companies directly or indirectly controlled by it or by its Ministries, comes to hold the power (i) to exercise or control the exercise of at least one half of the votes that may be given in the Company's Shareholders' Meeting and (ii) to appoint or remove (as a result of the exercise of dominant influence pursuant to Article 2359, paragraph 1, Nos. 2 and 3 Italian Civil Code, or otherwise) all or a majority of the members of the Company's Board of Directors and (2) the bank is not agreeable to the change of control that occurred.

#### **E) Deutsche Bank Construction Loan**

On 29 June, 2015 Deutsche Bank S.p.A. granted Fincantieri a short-term credit line (Construction Loan) for 18 months (maturity: 29 December 2016) for a maximum of Euro 150 million to finance its working capital needs related to the previous 12 months of the period of construction of the cruise ship No. 6250, built for the ship owner Explorer New Build Llc for Euro 343 million, with delivery anticipated for 30 June 2016.

The disbursements are made based on the relevant works progress completion certificates. Up to 31 December 2015, a total of Euro 120 million was disbursed in four different tranches as follows: (i) the first tranche of Euro 50 million, disbursed in September 2015, accrues interest equal to the Euribor rate plus a 1.60% spread; (ii) the second tranche of Euro 38 million, disbursed in September 2015, accrues interest equal to the Euribor rate plus a 0.75% spread; (iii) the third tranche of Euro 20 million, disbursed in November 2015, accrues interest at the Euribor rate plus a 0.90% spread; (iv) the fourth tranche of Euro 12 million, disbursed in December 2015, accrues interest at the Euribor rate plus a 0.90% spread. The principal and accrued interest will be paid, for all the tranches, on the ship's delivery date (30 June 2016 or in advance, if Fincantieri so requests).

The contract obliges Fincantieri to repay the amounts disbursed in advance (including accrued interest) within 30 business days, if a change of control occurs within the meaning of the change of control clause. "Change of control" means an event or circumstance in which a person/entity other than the Italian State (or Ministries) or entities or companies directly or indirectly controlled by the Italian State or by its Ministries, comes to hold: (a) the power (i) to exercise or control the exercise of at least one half of the votes that may be given in the Company's ordinary Shareholders' Meeting or (ii) to appoint or remove (as a result of the exercise of dominant influence pursuant to Article 2359, paragraph 1, Nos. 2 and 3 Italian Civil Code, or otherwise), all or a majority of the members of the Company's Board of Directors, or (iii) to give binding instructions to the Company's Board of Directors with reference to operational and financial guidelines and policy directives; or (b) the power to exercise a dominant influence pursuant to Article 2359, paragraph 1, Nos. 2 and 3 Italian Civil Code on the Company or on the entity that controls it.

#### **F) INTESA SAN PAOLO Revolving Credit Facility**

On 29 July 2015, Fincantieri and Intesa Sanpaolo S.p.A. signed a loan agreement for a revolving credit facility ("RCF") for 18 months less one day (maturity: 28 January, 2017) for a maximum usable amount of Euro 55 million to meet general financing requirements, including those associated with the performance of Fincantieri's current operations.

The credit facility may be used in one or more disbursements during the term of the RCF, and each use may be subject to a duration of 1, 3 or 6 months, at Fincantieri's discretion. When the preselected period expires, the amounts utilised are repaid together with accrued interest, but they may be re-utilised prior to the final maturity date.

The interest rate is the Euribor for the period of use selected plus a 1.35% spread for uses of 1 month and a 1.25% spread for uses of 3 or 6 months.

As of 31 December 2015, the credit line of Euro 55 million was used in full; the applicable repayment date is 4 May 2016.

A change of control clause in the contract provides that if a change of control occurs, Fincantieri shall repay in advance - no later than 30 working days - all uses of the RCF and to pay interest accrued and unpaid together with any other amounts due.

"Change of control" means an event or circumstance by which one or more persons/entities other than the Italian State, a part and/or agency thereof (including Ministries) and other than any entity directly or indirectly controlled by the Italian State or any part thereof (including Ministries), acting in concert, together with associated subsidiaries and/or affiliates, acquires control of Fincantieri, i.e. (A) in relation to a subject represented by a legal person (i) acquires the power (as a shareholder, by power of attorney, by binding contractual provisions, representation, agency or otherwise) to a) control the majority of votes that may be given in the ordinary Shareholders' meeting; or b) to appoint or dismiss (due to the exercise of a dominant influence pursuant to Article 2359, first paragraph, Nos. 2) and 3) Italian Civil Code - "Dominant Influence" - or otherwise) all or a majority of the members of the Board of Directors (or equivalent governing body); or c) to hand down directives on operating, financial policies which are binding on the members of said Board (or equivalent governing body); or (ii) acquires the ability to exercise a dominant influence on Fincantieri or on the company that controls Fincantieri; (B) in relation to any other person/entity (other than a legal person or association), acquires the direct or indirect power to direct - or to procure the direction of - management and policies by virtue of its status as shareholder or by virtue of binding contractual provisions or otherwise.

#### **G) BPM Revolving Credit Facility**

On 1 October 2015 Fincantieri and Banca Popolare di Milano S.C.a R. L. ("BPM") finalised a "revolving credit facility" ("RCF") agreement for 24 months (maturity: 1 October, 2017) for a maximum usable figure of Euro 100 million, to be allocated to Fincantieri's current operations. The credit facility may be used in one or more disbursements during the term of the RCF, and each use may be subject to a duration of 1, 3 or 6 months, at Fincantieri's discretion. When the preselected period expires, the amounts utilised are repaid together with accrued interest, but they may be re-utilised prior to the final maturity date.

The interest rate is the Euribor for the period of use selected plus a 1.50% spread.

As of 31 December 2015, the credit facility of Euro 50 million was used in full; 22 April 2016 is the redemption date for the use underway.

The contractual change of control clause provides that Fincantieri will promptly notify the Bank in the event of any change of control. Following the notification, the parties will jointly assess the possibility of adopting - within 20 (twenty) business days - the contractual amendments required in order to maintain the Revolving Credit Facility in operation. If the Parties agree upon these amendments, the bank will notify Fincantieri that it agrees to continue the Revolving Credit Facility; but if the parties fail to reach such agreement, the bank will notify Fincantieri of the

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latter's obligation to repay in advance all uses of the existing revolving credit facility, which will be automatically cancelled, with payment of accrued and unpaid interest and any other amounts due. "Change of control" means an event or circumstance by which one or more persons/entities other than the Italian State, a part and/or agency thereof (including Ministries) and other than any entity directly or indirectly controlled by the Italian State or any part thereof (including Ministries), acting in concert, together with associated subsidiaries and/or affiliates, acquires control of Fincantieri, i.e. (A) in relation to a subject represented by a legal person (i) acquires the power (as a shareholder, by power of attorney, binding contractual provisions, representation, agency or otherwise) a) to control the majority of votes that can be given in the ordinary Shareholders' Meeting; or b) to appoint or remove (due to the exercise of a dominant influence pursuant to Article 2359, first paragraph, Nos. 2) and 3) Italian Civil Code - "Dominant Influence" - or otherwise) all or a majority of the members of the Board of Directors (or equivalent governing body); or c) to hand down directives on operating, financial policies which are binding on the members of said Board (or equivalent governing body); or (ii) acquires the power to exercise a dominant influence on Fincantieri or on the company that controls Fincantieri; (B) in relation to any other person/entity (other than a legal person or association), acquires the direct or indirect power to direct - or to procure the direction of - management and policies by virtue of its status as shareholder or by virtue of binding contractual provisions or otherwise.

#### 1.9 INDEMNITIES TO DIRECTORS FOR EARLY TERMINATION OF THE OFFICE, ALSO FOLLOWING A PUBLIC TENDER OFFER

For a description of the indemnities payable in the event of early termination of the office, see paragraphs 2.1.6 (Section I) and 5 (Section II) of the Remuneration Report, approved by the Board of Directors on 31 March 2016 pursuant to Article 123-ter of the Consolidated Financial Act (TUF) and available on the Company's website at [www.fincantieri.com](http://www.fincantieri.com), in the Section "Corporate Governance - Remuneration" and in the Section "Corporate Governance - Meetings - Shareholders' Meetings 2016".





**FINCANTIERI** S.p.A.

Keel laying hull 6250

Cruise vessel

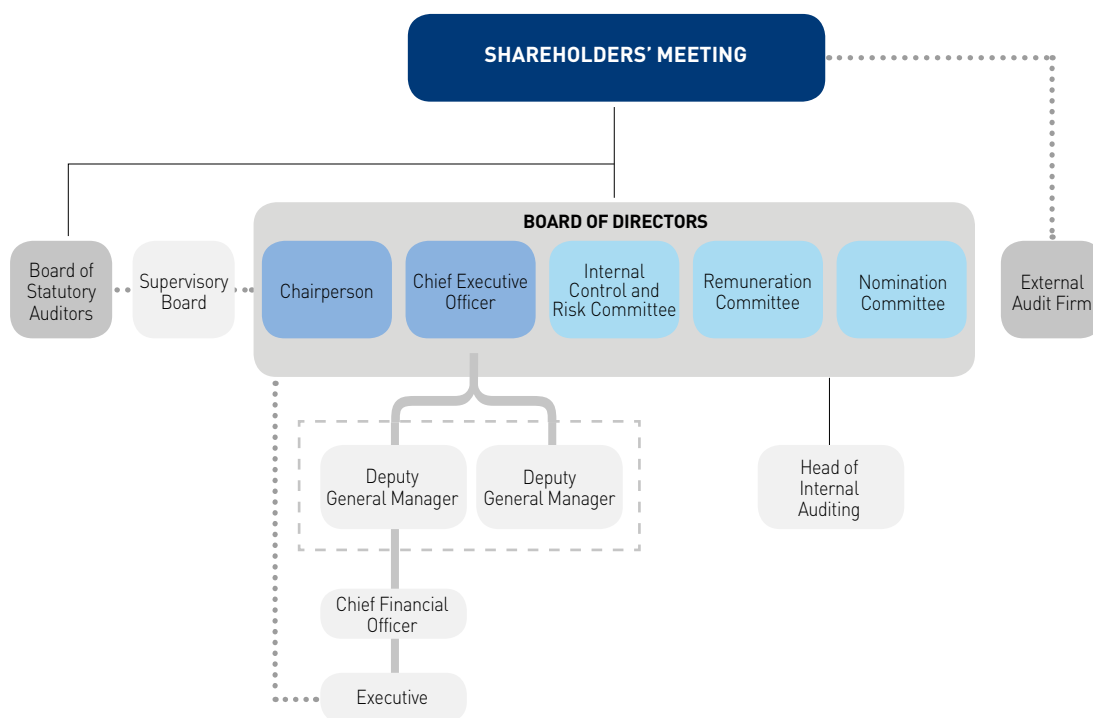
**SEVEN SEAS EXPLORER**

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# Information on Corporate Governance

## 2. Corporate Governance system

Fincantieri's Corporate Governance system has the following structure:<sup>5</sup>



### 2.1 SHAREHOLDERS' MEETING

The Shareholders' Meeting is the corporate body where Shareholders participate in the Company's decisions on matters reserved to them by law and the By-laws.

At the Shareholders' Meeting convened to approve the 2015 financial statements, the Board of Directors will report on activities that were planned and implemented and will ensure that the Shareholders are given adequate information on matters necessary to enable them to take informed and considered decisions.

#### 2.1.1 Areas of competence and quorums

The Shareholders' Meeting resolves upon all matters reserved to it by law or the By-laws.

The ordinary Shareholders' Meeting is therefore competent to resolve upon the following (among other things): (i) approval of the financial statements and allocation of profits; (ii) appointment and

<sup>5</sup> With effect from 22 February 2016, two Deputy Directorates-General have been established, reporting directly to the Chief Executive Officer.

remuneration of the corporate bodies; (iii) removal of corporate bodies and officers and liability actions; (iv) appointment of the Independent Auditor; (v) purchase of treasury shares; and (vi) approval of the Shareholders' Meeting Regulations.

The extraordinary Shareholders' Meeting resolves upon amendments to the By-laws and extraordinary transactions such as mergers, demergers and capital increases, subject to the Board of Directors' competence in the areas mentioned in paragraph 1.6 above.

Resolutions of the ordinary and extraordinary Shareholders' Meeting in first, second or third call, or in single call, are generally adopted in accordance with the majorities required by law in specific cases. The corporate bodies and officers are elected in accordance with the "slate voting" system, as described in paragraphs 2.2.4 and 2.4.2 below.

Article 29 of the By-laws requires specific majorities for related party transactions where the Shareholders' Meeting is called on to adopt resolutions (i) in urgent cases associated with company crisis, where the audit body forms a negative assessment as to the presence of urgent conditions, (ii) if the Related Party Transaction Committee (RPT Committee) forms a negative opinion about Most Significant Transactions (definitions are given in paragraph 4.1 below). In such cases, Shareholders' Meeting resolutions are considered approved if (a) the quorums for valid meetings and for valid resolutions under the By-laws have been reached and (b) if the non-related shareholders attending the Shareholders' Meeting represent at least ten percent of the voting share capital and the majority of the non-related voting shareholders does not vote against the transaction.

### 2.1.2 Procedures for calling Shareholders' Meetings

Ordinary and extraordinary Shareholders' Meetings are normally held on single call, pursuant to Article 13 of the By-laws. The Board of Directors may decide, however, that ordinary and/or extraordinary Shareholders' Meetings should be held on more than a single call, if it considers this appropriate.

The ordinary Shareholders' Meeting must be called at least once a year to approve the financial statements and no later than one hundred eighty days from the end of the financial year.

The Shareholders' Meeting is convened by a notice of call formulated in accordance with law and published at least thirty days prior to the scheduled date of the Shareholders' Meeting in accordance with the procedures envisaged by applicable regulatory provisions<sup>6</sup>. The deadline is brought forward by forty days in the event that the Shareholders' Meeting is called to appoint the corporate bodies. The Board of Directors – save as otherwise provided by law – releases a report on the items on the Shareholders' Meeting agenda, in accordance with the same procedures and by the same deadline for publishing the call notice.

### 2.1.3 Eligibility to attend Shareholders' Meetings and voting procedures

The entitlement to attend Shareholders' Meetings and the procedures for exercising voting rights are regulated by applicable legislative and regulatory provisions.

More particularly, Article 83-*sexies* of the Consolidated Financial Act (TUF) states that eligibility to participate to the Shareholders' Meeting and exercise voting rights must be certified by a qualified intermediary, who notifies the Company of such eligibility on behalf of the eligible shareholder. The "record date" is used as a basis for this notification i.e. the accounting records at the end of the accounting day on the seventh trading day prior to the scheduled date of the Shareholders' Meeting. Credit or debit entries made on the intermediary's accounts after this seven day deadline are not relevant for purposes of eligibility to vote in the Shareholders' Meeting.

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<sup>6</sup>. The notice of call is published on the company website, and an abridged form thereof is published in at least one daily newspaper with national circulation, and also as required by applicable regulatory provisions.

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The Company must receive the intermediary's notifications by the applicable regulatory deadlines, without prejudice to the shareholder's entitlement to attend and vote in cases where the Company receives the notifications after the aforementioned deadline, but before the start of the Shareholders' Meeting thus convened.

Pursuant to Article 15 of the By-laws, each shareholder entitled to attend the Shareholders' Meeting may be represented by a proxy - given in written or electronic form - pursuant to applicable regulatory provisions. The Company may be notified of the voting proxy by certified electronic mail or through the relevant section of its website, as specified from time to time in the notice of call. Furthermore, in order to facilitate the process of obtaining proxies from Shareholders who are employees of the Company and of its subsidiaries associated with shareholders' associations that satisfy the requirements of applicable regulatory provisions, the By-laws provide that areas should be made available to such associations for communications and for gathering proxies, in accordance with the terms agreed from time to time with their legal representatives.

The Company may also - for each Shareholders' Meeting - appoint a person to whom shareholders may give proxies with voting instructions in relation to all or some of the items on the agenda, as envisaged by applicable regulatory provisions. In such cases, the proxy will not be valid in relation to agenda items for which no voting instructions have been given.

Pursuant to the By-laws, the notice of call may also provide, on a case-by-case basis, that shareholders with voting rights may (i) attend Shareholders' Meetings using telecommunications means, and (ii) exercise their voting rights by correspondence and/or electronically, in accordance with applicable regulatory provisions.

#### 2.1.4 Shareholders' rights

Pursuant to applicable regulatory provisions:

- Shareholders who represent (individually or jointly) at least one fortieth of the share capital may - within ten days of the date when the Shareholders' Meeting notice of call is published (except on matters which the Shareholders' Meeting decides upon based on a proposal from Directors or based on plans or reports prepared by them) - (i) request specific items be added to the agenda, specifying the proposed additional items in the request and (ii) submit draft resolutions on matters already on the agenda;
- shareholders with voting rights may ask questions on the items on the agenda even before the Shareholders' Meeting, by the deadline indicated in the notice of call. Replies will be given to these questions - at the latest - during the Shareholders' Meeting.

In any case, shareholders with voting rights will also be entitled to submit questions or draft resolutions - individually or otherwise - during the Shareholders' Meeting.

#### 2.1.5 Proceedings of the Shareholders' Meeting

Pursuant to the By-laws, the Shareholders' Meeting is chaired by the Chairperson of the Board of Directors or by another person delegated by the Board of Directors. If this other person is not present, the Shareholders' Meeting will elect its own Chairperson. The Shareholders' Meeting appoints a Secretary, who needs not be a shareholder and it may appoint one or more scrutineers from among the meeting's attendees<sup>7</sup>.

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<sup>7</sup> As to the chairmanship of the Board of Directors, note that for the Shareholders' Meeting convened to approve the financial statements for 2015, a number of amendments to the company By-laws will be proposed to the extraordinary Shareholders' Meeting in order to allow the Board of Directors, where it considers appropriate, to appoint a Deputy Chairperson to stand in for the Chairperson in the event of the latter's absence or impediment.

On 5 May 2014, the ordinary Shareholders' Meeting of the Company approved the Shareholders' Meetings Regulations with effect from the start of trading of Fincantieri shares on the Electronic Stock Market - MTA).

These Regulations (among other things) regulate the procedures for ascertaining shareholder eligibility to attend Shareholders' Meetings, access to Shareholders' Meeting venues, voting procedures, the role of the Shareholders' Meeting Chairperson - who is also responsible for directing the meeting's proceedings, ensuring that fair procedures are followed for the meeting discussions and for ensuring that attendees' rights are respected. To this end, the Chairperson of the Shareholders' Meeting - upon opening the meeting's proceedings - sets the maximum duration of each attendee's contribution, which should not generally exceed fifteen minutes. A shareholder may request the Chair for permission to address the meeting on specific agenda items, after the Shareholders' Meeting has been validly constituted but before the Chairperson has actually opened discussions on each specific agenda item. Each participant may make only one contribution for each item on the agenda. After the close of discussions, only brief voting declarations are allowed. The Chairperson and the Secretary draw up and sign minutes of Shareholders' Meetings. The minutes of extraordinary Shareholders' Meetings must be drawn up by a Notary Public.

All of the provisions of the Shareholders' Meeting Regulations are given in the full text published on the company website [www.fincantieri.com](http://www.fincantieri.com), in the Section "Corporate Governance – Shareholders' Meetings – Tasks and Regulations".

## 2.2 BOARD OF DIRECTORS

### 2.2.1 Composition of the Board

Pursuant to Article 19 of the By-laws, the Board of Directors has seven or more members up to a maximum of thirteen members, appointed by the Shareholders' Meeting in accordance with the procedures described in paragraph 2.2.4 below. The Shareholders' Meeting determines the number of Board members from time to time, subject to the aforementioned limits.

The acting Board of Directors, whose term of office will expire at the meeting convened to approve the financial statements for the year ending on 31 December 2015, consists of: Vincenzo Petrone (Chairperson), Giuseppe Bono (Chief Executive Office)<sup>8</sup>, Simone Anichini, Massimiliano Cesare, Leone Pattofatto, Paola Santarelli and Paolo Scudieri<sup>9</sup>.

On 21 March 2016, Ms. Anna Molinotti resigned with immediate effect from the Board of Directors and from the Remuneration Committee.

The Board of Directors was appointed by the ordinary Shareholders' Meeting held on 27 June 2013 for the years 2013, 2014 and 2015<sup>10</sup>. This Shareholders' Meeting had set the number of Board members at five, appointing the following persons as Directors: Vincenzo Petrone, Giuseppe Bono, Andrea Mangoni, Anna Molinotti and Giovanni Masini.

Director Giovanni Masini resigned from his office with effect from 13 May 2014, by notification received by the Chairperson of the Board of Directors and by the Chairperson of the Board of

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8. Mr. Giuseppe Bono was appointed for the first time as the Company's Chief Executive Officer on 29 April 2002.

9. As described below, the Director Mr. Mangoni resigned as member of the Board of Directors and General Manager, with effect from 9 November 2015. After these resignations, the Board of Directors decided not to co-opt a new member and to let the Shareholders do this instead at the Shareholders' Meeting convened to reappoint the entire Board.

10. The Board of Directors currently in office was not elected using the slate voting system since the Board was appointed - albeit at different times - prior to the admission to listing of the Company's shares. The Board of Directors will be appointed using the slate system when it is due for reappointment.



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Statutory Auditors on 14 May 2014. To replace the latter, the Board of Directors co-opted Director Leone Pattofatto on 26 May 2014; his appointment was subsequently confirmed by the ordinary Shareholders' Meeting of 28 May 2014.

This Shareholders' Meeting, in view of the listing of the Company's shares on the Electronic Stock Market (MTA), also resolved to increase the number of directors from five to nine, with effect from the start date of trading. This increase was approved in order to ensure that the number of independent directors on the Board would be in line with applicable regulatory provisions, to enable Committees to be established within the Board of Directors in accordance with the provisions of the Corporate Governance Code and to ensure the presence of an adequate number of directors from the less represented gender. The Shareholders' Meeting increased the number of Board members on this occasion, appointing the following individuals: Simone Anichini, Paola Santarelli, Paolo Scudieri and Massimiliano Cesare, with effect from the start of trading of the Company's shares on the Electronic Stock Market organized and managed by Borsa Italiana.

Therefore the Board of Directors had nine members as of 3 July 2014 (start date of trading), two of whom (the Chief Executive Officer and the Chairperson of the Board of Directors) were executive. Pursuant to the Corporate Governance Code, from 13 March 2015 until the date of his resignation on 9 November 2015, Director Andrea Mangoni was also considered an Executive Director, by virtue of his appointment as General Manager with effect from 13 March 2015, even though the Board of Directors granted him no actual mandate.

The remaining Directors are non-executive; four of these are independent pursuant to law and the Corporate Governance Code<sup>11 12</sup>.

The Directors' curricula vitae are attached to this Report, which detail of the key personal and professional information demonstrating their expertise and experience acquired in the business management area (see Annex 1).

## 2.2.2 Professional qualification and integrity requirements and reasons for ineligibility and incompatibility of Directors

Pursuant to Article 19 of the By-laws, Directors must be selected using criteria of professional qualification and expertise, from among persons who have developed a total of at least three years' experience in:

- management or control activities, or management functions in companies, or
- professional activities or academic positions in law, economics, finance or in technical-scientific areas related to or useful for business or corporate activities, or
- administrative/management/executive roles in public or governmental administrations or entities operating in sectors related to the Company's sector of activities, or in public or governmental administrations or entities operating in unrelated sectors on condition that the responsibilities in question involved the management of economic-financial resources.

Pursuant to applicable rules, Directors must satisfy the integrity requirements applicable to the members of audit and supervisory bodies, in accordance with the regulation issued by the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the Consolidated Financial Act (TUF) (Ministerial Decree No. 162 of 30 March, 2000).

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11. As indicated in detail below, during 2015 three of the non-executive directors had independent status pursuant to law and the Corporate Governance Code, while one had independent status pursuant to law only.

12. For a complete description of the characteristics of executive, non-executive and independent Directors, refer to the following paragraphs 2.2.7, 2.2.8, 2.2.9 and 2.2.10.



Pursuant to the By-laws, a sentence handed down in criminal proceedings (final or otherwise and without prejudice to the effects of rehabilitation) also constitutes a cause for ineligibility or forfeiture of the office of director for just cause - without any right to compensation for loss - for any criminal offense under:

- a) the provisions governing banking, financial, securities and insurance activities and under the provisions governing markets, securities, payment instruments;
- b) the provisions of title XI of book V of the Italian Civil Code ("*Criminal provisions related to companies and consortia*") and under Royal Decree No. 267 of 16 March 1942 (Bankruptcy Law);
- c) the provisions involving offences against the Public Administration, against the public trust, against assets, against public order, against the public economy or tax offences;
- d) the provisions of Article 51, paragraph 3-*bis*, of the Italian Code of Criminal Procedure and of Article 73 of Presidential Decree No.309 of 9 October 1990.

A criminal sentence or an order for immediate committal for trial (without preliminary hearing) for any of the criminal offences referred to in letters a), b), c) and d) above also constitutes grounds for ineligibility, provided there is no final acquittal (appealable or otherwise), as does a final criminal conviction for tax fraud.

Directors who are notified during their term of office of a criminal sentence or of an order for immediate committal for trial for any of the criminal offences referred to in letters a), b), c) and d) above, or of a final criminal conviction for tax fraud, shall immediately notify the Board of Directors thereof, observing strict confidentiality obligations.

At its next meeting, but no later than 10 days after it learns about the aforementioned orders, the Board of Directors will assess whether any of the circumstances indicated therein apply.

If the Board of Directors, in its assessment, decides that those circumstances do in fact apply, then the Director will forfeit his/her office without entitlement to claim compensation for loss, unless the Board of Directors convenes a Shareholders' Meeting within ten days, to be held within the following sixty days, and submits a draft resolution to shareholders for the Director in question to remain in office, on the basis that this course of action is the Company's best interests. If the Board of Directors' assessment occurs after the end of the financial year, the proposal is submitted to the Shareholders' Meeting convened to approve the associated financial statements, subject to any deadlines envisaged by applicable rules.

If the Shareholders' Meeting does not approve the Board of Directors' draft resolution, the Director will immediately be removed for just cause, without rights to seek compensation for loss.

Subject to the foregoing, if the Chief Executive Officer becomes subject to a) a sentence imposing a term of imprisonment, or b) interim pre-trial detention measures or house arrest, following proceedings pursuant to Article 309 or Article 311, paragraph 2, of the Italian Code of Criminal Procedure, or after the expiration of the deadline for bringing those proceedings, he/she will automatically forfeit his/her office as director for just cause, without entitlement to compensation for loss, and all associated delegated powers will be instantly revoked.

The Chief Executive Officer will automatically forfeit his/her office if he or she becomes subject to any other type of personal interim measure not susceptible of further challenge, if the Board of Directors considers such measure to be incompatible with the performance of the his/her mandate. A sentence applying punishment at the request of the parties (plea bargaining) pursuant to Article 444 of the Italian Code of Criminal Procedure is equivalent to a final sentence for the purposes of this provision, unless the offense has been extinguished.

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Where particular fact circumstances are governed in whole or in part by the laws of foreign countries, the Board of Directors shall ascertain the existence of the situations described above on the basis of an assessment of substantial equivalence.

In addition to the foregoing, pursuant to the Decree of the President of the Council of Ministers of 25 May 2012, on the “*Criteria, conditions and procedures for adopting the ownership separation model for SNAM S.p.A. pursuant to Article 15 of Law No. 27 of 24 March 2012*”, the Company’s Directors may not hold office in the governing or audit/supervisory bodies of, or perform executive functions at, Eni S.p.A. or its subsidiaries, or be involved in any direct or indirect professional or economic capacity with those companies.

With reference to the integrity requirements envisaged by Article 19 of the By-laws, as described above, note that the extraordinary Shareholders' Meeting will be asked to amend the aforementioned Article 19 at the General Meeting called to approve the financial statements for 2015, on a proposal of the shareholder Fintecna S.p.A. - in order to align the Company's By-laws with those of other publicly-controlled listed companies.

### 2.2.3 The Board’s position on the maximum number of offices Directors can hold at other companies

In line with provisions of the Corporate Governance Code, on 19 December 2014 the Board of Directors - on a proposal from the Nomination Committee - set out its position on the maximum number of offices as director or standing auditor compatible with the effective performance of a director’s duties, also taking into account the Directors’ participation in Committees set up within the Board.

Its position is that Directors may accept and continue to hold office if they consider that they are able to devote the necessary time commitment to effectively perform their duties, taking into account the number and nature of their positions in the governing and audit/supervisory bodies of other large companies, and also taking into account the commitment required by additional professional activities engaged in and associated offices held.

In this context, the term “large companies” means:

- a) companies whose shares are listed on regulated markets, including foreign markets;
- b) Italian or foreign companies whose shares are listed on regulated markets and operating predominantly in the insurance, banking, securities brokerage, asset management or financial sectors;
- c) other Italian or foreign companies whose shares are not listed on regulated markets and which, while operating in sectors other than those indicated in letter b) above, have assets exceeding Euro 1,000 million and/or revenues exceeding Euro 1,700 million, as showing in the most recently approved financial statements.

In particular, the Board's policy provides as follows:

- 1) for the acting CEO and for the executive Directors (with specifically delegated management powers) of Fincantieri: (i) no person may as a general rule - unless expressly warranted and justified by the Board of Directors - act as CEO in the companies indicated in letter a) above; (ii) it is permitted to hold a maximum of 3 offices as Director (as executive director with specifically delegated management powers or as non-executive director) and/or as Statutory Auditors in the companies indicated in paragraph (i) above; (iii) it is permitted to hold a maximum of 5 offices as Director (as executive director with specifically delegated management powers or as non-executive director) and/or in a supervisory body in the companies indicated in letters b) and c) above. In any case, unless otherwise expressly warranted and justified by the Board of Directors, Fincantieri’s Chief Executive Officer may not act as a director in any of the companies

indicated in letter a) above which do not belong to the Fincantieri Group and whose CEO is a Director of Fincantieri;

- 2) for Fincantieri's Directors other than the Chief Executive Officer and the executive Directors (with specifically delegated management powers), the number of offices held in the management or audit/supervisory bodies of other companies referred to in letters a), b) and c) may not exceed 5.

In calculating the number of offices indicated in paragraphs 1) and 2) above, offices held in direct and/or indirect subsidiaries or affiliates of Fincantieri are not taken into account. Moreover, if a Director holds offices in several companies from the same group, only one office within such group is taken into account for the purpose of calculating the number of offices.

Without prejudice to the foregoing, the Board of Directors may grant exemptions (temporary or otherwise) from the parameters specified in paragraphs 1) and 2) above, based upon the total number of offices held by the relevant Directors in the governing and audit/supervisory bodies of other large companies. In granting such exemptions, the Board of Directors takes the following factors into consideration: (i) the specific characteristics of the offices held by the person in question, also taking into account the nature and size of the company in which such offices are held; (ii) the commitment demanded by any additional professional activities which that person engages in and by any offices in associations which he/she holds; (iii) the commitment demanded from that person in the Board of Directors (particularly where a non-executive Director is involved who is not a member of any Committee).

Based upon information which the Directors have given the Company - verified by the Secretary of the Board of Directors and of the Corporate Bodies and by the Nomination Committee, and submitted for review by the Board of Statutory Auditors on 16 February 2016 - the number of offices currently held by Fincantieri's Directors in the management and audit/supervisory bodies of other large companies is in line with the policy indicated above.

Information on the offices held by Fincantieri's Directors in the management and audit/supervisory bodies of other large companies is provided in the table attached to this Report.

#### 2.2.4 Appointment and replacement of Directors

Directors are appointed by the ordinary Shareholders' Meeting in accordance with the procedures described below, for a term not to exceed three financial years, and they may be re-elected after their mandate expires.

The appointment of Directors is regulated by Article 19 of the By-laws, which provide a full description of the relevant provisions<sup>13</sup>.

##### **Slate voting**

The Board of Directors is appointed by the Shareholders' Meeting on the basis of slates submitted by the Shareholders and by the Board of Directors and in accordance with applicable regulatory provisions on equal access to corporate bodies by the less represented gender (gender balance).

##### **Entitlement to submit slates**

Each Shareholder may submit or contribute to the submission of only one slate. Shareholders are entitled to submit slates only if they represent - individually or in combination with other

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<sup>13</sup>. The By-laws may be consulted on the Company website at [www.fincantieri.com](http://www.fincantieri.com), in the section "Corporate Governance - System of Corporate Governance".

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shareholders - at least 1% of the share capital or such other percentage, if lower, that is established by CONSOB in the CONSOB Regulation.

Ownership of the minimum shareholding required to submit slates must be proven in accordance with the procedures and by the deadline laid down by regulatory provisions applicable from time to time.

Candidate slates may also be submitted by the outgoing Board of Directors.

Each person with voting rights may vote for only one slate.

### **Composition and filing of slates**

Each candidate may be presented on one list only, on pain of ineligibility.

Candidates must be listed in sequential order in the slates.

Each slate must include at least two candidates who satisfy legally-required independence criteria, and must specify the names of those candidates and indicate one of the candidates in the first position on the slate.

Furthermore, slates that present three or more candidates must include candidates of different genders, as detailed in the Shareholders' Meeting call notice, thus ensuring that the composition of the Board of Directors complies with applicable rules on gender balance.

The slates must be filed with at the Company's headquarters in accordance with the deadlines and procedures envisaged by applicable rules (i.e., at least twenty-five days prior to the date of the Shareholders' Meeting called to appoint the Board of Directors).

The professional curricula vitae of the candidates and the declarations by which they accept their candidature and state that no causes of ineligibility or incompatibility exist and declare that they satisfy the integrity requirements envisaged by applicable rules and by the By-laws (see paragraph 2.2.2 above), and the declaration (if required) that they satisfy the independence requirements laid down by law and/or by the Corporate Governance Code (see paragraph 2.2.10 below) must also be filed at the Company's headquarters with each slate, and failure to do so will render the slate inadmissible.

### **Appointment procedures**

Directors are elected as follows:

- a) the following number of Directors is taken from the slate that has obtained the majority of votes, in the sequential order in which they are listed on that slate:
  - two-thirds of the Directors, rounding down to the lower integer if there is a fraction, where the Board consists of 9 members at most;
  - 7 Directors, if the Board consists of 10 members;
  - 8 Directors, if the Board consists of 11 members;
  - 9 directors, if the Board consists of 12 members, and
  - 10 directors, if the Board consists of 13 members;
- b) The remaining Directors are drawn from the other slates that are not associated in any way, even indirectly, with the shareholders who submitted or voted for the slate that obtained the highest number of votes<sup>14</sup>. To this end, the votes obtained from these slates are later divided by one, two or three, depending upon the number of Directors to be elected. The ratios thus

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14. In relation to the procedures for electing members of the Board of Directors, note that at the General Meeting called to approve the financial statements for 2015, the Board of Directors will request the extraordinary Shareholders' Meeting to approve a draft law amending Article 19 of the By-laws, to enable the remaining directors to be drawn from the other lists, subject to compliance with applicable rules favouring minorities who are not associated, either directly or indirectly, with the shareholders who submitted or voted on the list that obtained the highest number of votes, since the current By-laws text prevents the slate voting system from applying where non-associated minority slates are not submitted, or where these lists do not contain an adequate number of candidates to fill the Board of Directors to its relevant composition.

obtained are assigned in sequential order to the candidates of each of these slates, in the order respectively envisaged by each. The ratios thus assigned to the candidates on the various slates are then arranged in a single descending ranking. Candidates who obtain the highest ratios are elected. Where more than one candidate has obtained the same ratio, the candidate elected will be the candidate from the slate that has not yet elected a Director or that has elected the lowest number of Directors. If none of these slates has elected a Director or if all have elected the same number of Directors, the candidate elected will be the candidate from the slate that has obtained the highest number of votes. In the event of a tie in slate votes, in circumstances where the ratios are tied, the Shareholders' Meeting will vote again - subject to legally applicable quorums - from among candidates who attained the same ratio from the slates that elected the same number of Directors (or no Director) and obtained the same number of votes;

- c) if, following the application of this procedure, the minimum number of independent Directors required by applicable rules has not been elected (see paragraph 2.2.10 below), the ratio of votes attributable to each candidate drawn from the slates is calculated, by dividing the number of votes obtained from each slate by the ranking number of each of the candidates, thus forming a single descending ranking; candidates who do not satisfy applicable independence requirements and who obtain the lowest ratios among the candidates taken from all of the slates will be replaced - beginning from the last, and up to the minimum number of independent Directors required under applicable rules - by independent candidates indicated on the same slate as the replaced candidate (following the order in which they are specified) or by persons who satisfy the relevant independence criteria and who are appointed in accordance with the procedure referred to in letter e) of Article 19 of the By-laws. If candidates on different slates have achieved the same ratio, the candidate to be replaced is the candidate from the slate from which the highest number of Directors have been elected or, if the same number of Directors are elected, the candidate from the slate that obtained the lowest number of votes or, in the event of a tie, the candidate who obtains fewer votes in a special vote of the Shareholders' Meeting (subject to the legally-required quorums) between all of the candidates who obtained the same ratio from slates that elected the same number of Directors and obtained the same number of votes;
- d) if the application of the procedure described in letters a) and b) above fails to ensure compliance with applicable rules on gender balance, the ratio of votes to be assigned to each candidate drawn from the slates comprised of at least three candidates is calculated by dividing the number of votes obtained from each slate by the ranking number of each of these candidates thus forming a single descending ranking; candidates of the better represented gender who have the lowest ratios among the candidates taken from the aforementioned slates are replaced - up to the number of Directors sufficient to ensure compliance with applicable gender balance rules and subject to the minimum required number of independent Directors - by the candidate of the less represented gender that is (as applicable) indicated (with the next lowest slate ranking number) on the same slate as the candidate who is replaced. If candidates on more than one of the aforementioned slates have obtained the same ratio, the candidate to be replaced is the candidate on the slate from which the highest number of Directors have been drawn or, in the event of a tie in elected Directors, the candidate drawn from the slate that has obtained the lowest number of votes or, in the event of a tie, the candidate who obtains the fewest votes in a special vote of the Shareholders' Meeting, subject to the quorums provided for by law, between all of the candidates with the same ratio, on slates that elected the same number of Directors and obtained the same number of votes.

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The slate voting procedure described above applies only where the entire Board of Directors is appointed.

Directors who, for any reason, are not appointed in accordance with the above procedure, are appointed by the Shareholders' Meeting subject to the quorums envisaged by law, thus ensuring that the Board's composition complies with law and with the By-laws, and with applicable rules on gender balance.

### **Replacement**

If one or more Directors should cease from office during the year, due to resignation or for any other reason, the procedure detailed in Article 2386 Italian Civil Code shall be applicable.

In any case, the Board of Directors must have the legally required minimum number of independent Directors, and the rules relating to gender balance and protection of minorities must be complied with. If the majority of Directors should cease from office due to resignation or for any other reason, the entire Board shall cease to hold office and the Shareholders' Meeting shall be called to reconstitute the Board in accordance with the procedures envisaged by Article 2386 Civil Code.

### **2.2.5 Functions of the Board**

The Board of Directors is the key organ of the Company's corporate governance system, as it has the widest powers of ordinary and extraordinary administration thereof. These powers extend to determining the Company's and the Group's strategic, organizational and control policies.

More specifically, in accordance with applicable provisions of law, of the By-laws and of its own resolutions (most recently, the resolution adopted on 12 July 2013) and in accordance with the recommendations of the Corporate Governance Code, the Board of Directors is authorised:

- to delegate all or some of its powers - except those that cannot be delegated by law - to one or more of its members and/or to an executive committee;
- to appoint a Secretary of the Board of Directors, who need not be a company member;
- to define the Company's strategic and organizational guidelines (including plans, programs and budgets);
- to call ordinary and extraordinary Shareholders' Meetings in compliance with the procedures and deadlines envisaged by applicable regulatory provisions, ensuring that the Shareholders are provided with detailed knowledge and information that enables them to adequately participate in such meetings;
- to establish Committees within the Board of Directors with powers of consultation and powers to propose draft resolutions, as recommended by the Corporate Governance Code, appointing its members and determining their duties and the associated operational rules and, as appropriate, approving remuneration and budgets;
- in the internal control and risk management field:
  - to appoint one or more members of the Board of Directors to set up and maintain an effective internal control and risk management system, as well as a Control and Risk Committee tasked with supporting the Board of Directors, by conducting suitable investigative activities in the latter's assessments and decisions related to the internal control and risk management system and related to the approval of periodic financial reports;
  - to define the guidelines for the internal control and risk management system, having consulted with the Control and Risk Committee;
  - to appoint the Head of Internal Auditing, ensuring that he/she has adequate resources to carry out his or her responsibilities, determining remuneration in line with company policy
- on a proposal of the Director in charge of the internal control and risk management system,



and after having received a favourable opinion from the Control and Risk Committee and consulted with the Board of Statutory Auditors;

- to assess annually - subject to the opinion of the Control and Risk Committee - the extent to which the internal control and risk management system is adequate to the nature and risk profile of the Company, and also to assess its effectiveness;
- to approve annually the work program prepared by the Head of Internal Auditing, after having consulted with the Control and Risk Committee and with the Board of Statutory Auditors, and with the Director in charge of the internal control and risk management system;
- to describe, in the Report on Corporate Governance and Ownership Structure, the key characteristics of the internal control and risk management system, after having received the opinion of the Control and Risk Committee, assessing its adequacy;
- to assess the results presented by the Independent Auditor in the letter of suggestions, if any, and in the report on key issues arising during the audit, after having received the opinion of the Board of Statutory Auditors;
- to appoint the Manager in charge of drafting the corporate accounting documents, after having received the mandatory opinion of the Board of Statutory Auditors, for at least for the duration of the Board's term of office and for no more than six financial years, determining the term of office, duties, powers and remuneration; it may also revoke this appointment if necessary;
- to approve the Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001;
- to determine the composition of the Supervisory Body and appoint its members and determine their remuneration, on a proposal of the Chief Executive Officer;
- to determine the remuneration policy for Directors and for managers with strategic responsibilities, on a proposal from the Remuneration Committee;
- to evaluate the adoption of a plan for the succession of executive Directors;
- to set out its position, on a proposal from the Nomination Committee, on the maximum number of offices as director or auditor in large companies that may be considered compatible with the effective performance by Directors of their duties inside the Company;
- to adopt company procedures for the internal management and outbound communication of information about the Company, particularly with reference to inside information;
- to determine rules that ensure the transparency and substantive and procedural propriety of related party transactions;
- the Board has reserved to itself responsibilities in the following areas:
  - agreements with business operators in the sector or other national or foreign enterprises or groups considered of strategic importance;
  - purchase and sale of shareholdings and/or enterprises or business units;
  - drafting, signing, amendment and termination of contracts involving relevant orders;
  - purchase, exchange, sale of real property and leases for terms exceeding nine years; medium/ long-term lending/borrowing transactions for amounts in excess of Euro 300 million per transaction;
  - issue of bank guarantees for amounts exceeding Euro 300 million per transaction; however, the Chief Executive Officer will be authorised to issue such guarantees if they are urgently required;
- to appoint directors and auditors in directly controlled subsidiaries;
- to recruit and appoint managers at levels equivalent to and above that of Central Manager;

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- to appoint consultants on an ongoing basis for at least one year or involving payment of fees of at least Euro 100,000.

In accordance with the foregoing, the Board of Directors during 2015:

- ascertained that the Head of Internal Auditing has adequate means and resources to carry out the relevant responsibilities and is remunerated in accordance with company policy, after having received a favourable opinion from the Control and Risk Committee and consulted with the Board of Statutory Auditors<sup>15</sup>;
- approved the guidelines for the internal control and risk management system, having received the opinion of the Control and Risk Committee;
- implemented the plan to develop and optimise the internal control and risk management system in order to concretely implement the guidelines of said system (*Enterprise Risk Management project - ERM*);
- implemented the *Segregation of Duties - SOD* - project in order to guarantee an adequate separation of duties as demanded by an internal control system in accordance with the requirements imposed on listed companies by the Law No. 262/05;
- verified - after due investigation by the Nomination Committee - that the number of offices held by Directors and Auditors duly complied with the policy on the maximum number of offices as director or auditor that may be held in large companies consistently with the proper performance of the function of Director of the Company, adopted by the Directors on 19 December 2014;
- conducted the "board evaluation" activities envisaged by the Corporate Governance Code with the support of an *ad hoc* consulting firm, after investigation by the Nomination Committee;
- confirmed the decision already adopted in 2014 related to the Company's non-adoption of succession plans for the executive Directors, given the nature of the Company's shareholding and the fact that Directors are appointed by the Shareholders' Meeting based on slates submitted by Shareholders, in accordance with law and with the Company's By-laws;
- ascertained - after investigation by the Control and Risk Committee - that the internal control and risk management system (ICRMS) and the organizational, administrative and accounting structure of the Company and of the main subsidiaries were adequate, also verifying that the Manager responsible for preparing the corporate accounting documentation had adequate powers and means to perform the tasks assigned to him/her, and overseeing the latter's actual compliance with administrative and accounting procedures;
- determined - on a proposal from the Remuneration Committee - the remuneration policy for Directors and for Managers with strategic responsibilities and for Managers with primary responsibilities for the 2015 financial year.

In the first months of 2016, the Board of Directors also:

- examined the periodic reports transmitted by the Board Committees and by the Supervisory Body;
- examined the periodic report of the Head of Internal Auditing for 2015, which also contains an assessment on the adequacy of the internal control and risk management system;
- approved the annual audit plan prepared for 2016, after having received the opinion of the Control and Risk Committee and consulted with the Board of Statutory Auditors;

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<sup>15</sup>. The appointment of the Head of Internal Auditing occurred prior to the admission to listing of the Company's shares.

- ascertained - after receiving the opinion of the Control and Risk Committee - that the Company's internal control and risk management system is effective and adequate to the nature and risk profile of the Company;
- assessed - after investigation by the Control and Risk Committee - that the organizational, administrative and accounting structure of the Company and of the main subsidiaries was adequate, also ascertaining that the Manager responsible for preparing the Company's accounting documentation had adequate powers and means to perform the duties assigned to him/her, and overseeing the latter's actual compliance with administrative and accounting procedures;
- examined - after analysis by the Control and Risk Committee - the submission relating to the main risks to which the Company is exposed, with reference to the analysis conducted during 2015;
- determined - on a proposal of the Remuneration Committee - the remuneration policy (2016 financial year) for Directors and for Managers with strategic responsibilities and for Managers with primary responsibilities, to be submitted for consultative vote by the Shareholders' Meeting convened to approve the financial statements for 2015;
- approved the Company's budget for 2016;
- approved the impairment test procedures and results, after having received the opinion of the Control and Risk Committee.

Further activities performed by the Board of Directors in connection with the internal control and risk management system are described in paragraph 3 below.

During 2016 the Board of Directors, acting also on a proposal and/or opinion from the Board Committees concerned, will incorporate and implement within the Company any changes to the Corporate Governance code made in July 2015.

#### 2.2.6 Meetings and functioning of the Board

The Board of Directors met thirteen times in 2015, and the average meeting lasted approximately 2 hours and 30 minutes. The meetings were attended by an average of 92.3% of Directors and, in particular, 88.4% of independent Directors.

The meetings were regularly attended by members of the Board of Statutory Auditors and also, at the Chairperson's invitation, by the heads of the corporate functions whose remit extended from time to time to the individual items on the agenda.

The Chairperson duly convened all of the meetings, generally with at least five days' notice. The Chairperson also ensured, prior to each meeting, that all of the Directors and Statutory Auditors received in good time any documents related to the items on the agenda.

Ten meetings so far (as of the date of this Report) have been scheduled for 2016, of which five have already been held earlier this year. The number of meetings may be changed during the year, also in view of the reappointment of the next Board of Directors.

The tables attached to this Report indicate the attendance record (as a percentage) of each Director at meetings of the Board of Directors and associated Committees.

During 2015, the Company - through the Chairperson of the Board of Directors who played a coordinating role - promoted the participation by Directors and Auditors in initiatives to foster knowledge of all sectors of activity and strategies of Fincantieri, and of topics related to the Company's organization. Directors and Auditors have also been involved in visiting a number of the Company's production facilities in Italy, where they have had an opportunity to periodically interface with the Facility Managers and/or with the Managers of specific production sectors ("board induction").

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### 2.2.7 Chairperson of the Board of Directors

The Chairperson enjoys all powers provided for by law and by the By-laws in relation to the functioning of the corporate bodies (Shareholders' Meeting and Board of Directors) and legal representation of the Company, and also the power to verify that the Board of Directors' resolutions are implemented.

Moreover, on 6 February 2014, the Board of Directors resolved to grant to the Chairperson Vincenzo Petrone the following delegated powers, to be exercised in coordination and consultation with the Chief Executive Officer in order to ensure the uniformity and effectiveness of the Company's actions:

- relations with Italian institutions, particularly the Ministry of Foreign Affairs and its foreign network, the Ministry of Economic Development/Foreign Trade, foreign embassies in Rome and also the European Union and its institutions;
- institutional relationships abroad, particularly in order to promote the production of military and offshore vessels, without prejudice to the Chief Executive Officer's responsibility for acts which are binding upon the Company;
- relations with universities, research centers and associations for their international activities;
- supervising the implementation of specific resolutions on internal control adopted by the Board of Directors, based on a mandate from the Board.

### 2.2.8 Chief Executive Officer

Subject to the responsibilities reserved to the Board, the Chief Executive Officer - acting as the leading figure in the company - has the power to legally represent the Company, subject to the limits of the powers conferred, and to manage the Company, in accordance with guidelines from the Board of Directors.

The Chief Executive Officer ensures that the corporate organizational and accounting structure is adequate to the nature and dimensions of the Company. He reports at least on a quarterly basis to the Board of Directors and to the Board of Statutory Auditors on the Company's operating performance, on its anticipated development, on any significant transactions and on the exercise of the delegated powers.

On 12 July 2013, the Board of Directors granted the Chief Executive Officer Mr. Bono the following delegated powers, to be exercised with individual signature authority:

- a) to submit to the Board of Directors the Company's business, strategic and organizational guidelines;
- b) to implement the resolutions of the Company's Board of Directors and Board of Statutory Auditors, implementing any acts resolved by these corporate bodies, including acts of extraordinary administration;
- c) to implement all acts of administration and management of the Company.

The following are examples of some of the Chief Executive Officer's powers:

- a) to represent the Company as claimant or defendant before any administrative, tax or judicial authority and to appoint lawyers, legal counsel, authorised officers and special attorneys ad litem;
- b) to represent the Company before national and international bodies and entities and operators, whether public or private;
- c) to issue to third parties - including government and public entities, banks and lending institutions - guarantees for a maximum of Euro 300 million as collateral for obligations undertaken and to be undertaken vis-à-vis any party, including by Fincantieri's subsidiaries or any other Company in which Fincantieri may have an interest, according to terms and

conditions that may be sought and, in cases of urgency, guarantees for over Euro 300 million, subject to the duty to report same to the Directors at the next Board meeting;

- d) to enter into any lending/borrowing transaction for amounts not exceeding Euro 300 million, including loans, undertaking the necessary commitments and implementing the necessary formalities;
- e) to draw up, sign, amend and terminate any act, deed or contract related to the corporate purpose; in addition, to establish, renew, reduce, subordinate and cancel mortgages and liens on ships or other products under construction or already built by the Company including for third parties, settling any disputes in which the Company may have an interest;
- f) to represent the Company – for this purpose delegating other persons as necessary – before entities and companies in which Fincantieri holds interests, quotas, shares or shareholdings or has powers of representation and, therefore, also at ordinary and extraordinary Shareholders' Meetings of such entities and companies, exercising all other rights pertaining to such shares;
- g) to determine the organizational macrostructure to be submitted to the Board of Directors; to determine the Company's operational organization on the basis of guidelines formulated by the Board of Directors;
- h) to make proposals to the Board of Directors to recruit and appoint managers at a level equal to or higher than General Manager or equivalent;
- i) to recruit, appoint and revoke the appointment of personnel at all levels, including managers up to (but excluding) General Manager level or equivalent; to manage personnel also by amending remuneration and contract terms and conditions contained in employment contracts, and to settle associated disputes;
- j) to appoint professionals and consultants for at most one year or involving fees not exceeding Euro 100,000, based on the specific demands of company activities.

In the context of the aforementioned delegated powers, the Chief Executive Officer may confer upon company employees and third parties (also on an ongoing basis) general as well as special powers of attorney for individual acts/transactions and also for categories of acts/transactions. The Board of Directors (at its meeting of 21 July 2014) also assigned the Chief Executive Officer to act as Director in charge of the internal control and risk management system (see paragraph 3.2.1 below).

### 2.2.9 Non-executive Directors

Non-executive Directors bring their specific professional skills and experience to bear on discussions of the Board of Directors, and their specific concern is to ensure that the Board's decisions are properly considered and justified, particularly in areas that are sensitive from the point of view of conflict of interest.

The number, competence, and availability of non-executive Directors (who represent the majority of Board members) ensure that their presence significantly influences Board decisions.

### 2.2.10 Independent directors

Pursuant to Article 147-ter, paragraph 4, of the Consolidated Financial Act (TUF), when the Board of Directors has more than seven members, then at least two members must satisfy the independence requirements imposed on auditors by Article 148, paragraph 3, of that Act.

Article 3 of the Corporate Governance Code also recommends that an adequate number of non-executive directors should be independent, in the sense that they do not have dealings or have not had recent dealings - direct or otherwise - with the issuer or with persons/entities associated with the issuer, which could compromise their independence of judgment. The Code also recommends

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that the number and the expertise of independent Directors should be adequate to the size of the Board and to the activities of the issuer, and should also facilitate setting up of Board committees. The Board of Directors assesses the independence of its non-executive members by paying more attention to substance rather than form, while noting that a director does not generally satisfy independence criteria in the cases (not exhaustive) described in Article 3.C.1 of the Corporate Governance Code.

In accordance with the foregoing, the Company's Board of Directors has an adequate number of independent Directors, who contribute significantly to the Board through their independent and unbiased judgment on the matters for discussion and decision, and the presence of independent Directors ensures that the Board Committees have a composition that reflects the recommendations of the Corporate Governance Code.

In particular, the Board of Directors in office of the date of this Report consists of four independent Directors pursuant to law and the Corporate Governance Code.

These four Directors submitted special declarations certifying their independence at the time of appointment, and this was verified - after investigation by the Nomination Committee - by the Board of Directors' meetings of 20 February 2015 and 16 February 2016, in both cases applying the criteria referred to in the aforementioned Article 3.C.1 of the Corporate Governance Code. At these meetings, the Board ascertained that the independence requirements imposed by the Corporate Governance Code were satisfied by the Directors Simone Anichini, Paolo Scudieri, Paola Santarelli<sup>16</sup> and Massimiliano Cesare.

The Board also examined the position of the Director Mr. Massimiliano Cesare and, having evaluated the circumstances referred to in Article 3, letter d) of the Corporate Governance Code and taken due account of his declaration, concluded that he satisfies the independence requirements demanded by the Corporate Governance Code.

At the meeting on 16 February 2016, the Board of Statutory Auditors verified the proper application of the verification criteria and procedures adopted by the Board to assess the independence of its members.

The Board of Directors did not designate a lead independent director, given that the conditions for such appointment envisaged by the Corporate Governance Code were not met. The Chairperson of the Board of Directors is not, in fact, the key person responsible for managing the Company, nor does he hold a controlling stake in the Company.

During January 2015, the independent Directors met without the other Directors, in order to agree the operational guidelines for their office within the Fincantieri Board of Directors.

### 2.2.11 Assessment of the operation of the Board and of the Committees

The "board review" procedure activated during the first quarter of 2015 at the initiative of the Nomination Committee, concluded by the second quarter of 2015.

The Board of Directors took cognizance of the results of the Board Evaluation activities during the meeting of 21 July 2015.

The analysis was conducted by Korn Ferry International - an independent consulting firm chosen by the Nomination Committee - by means of a self-assessment questionnaire and by interviewing

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16. During its verifications on 20 February 2015, the Board found that the Director Paola Santarelli was not independent within the meaning of the criterion specified in Article 3.C.1 b) of the Corporate Governance Code, given her role - between June 2006 and 1 August 2012 - as Chief Executive Officer of a subsidiary of Fintecna S.p.A., Fincantieri's controlling shareholder. From the 2016 financial year onwards, Ms. Santarelli was therefore considered independent within the meaning of the Corporate Governance Code, based on the period of time that had elapsed as required by the aforementioned Article 3.C.1 of the Code.



individual members of the Board as well as the Secretary, in order to glean individual perspectives about the size, composition, functioning and effectiveness of the Board and of its Committees.

The results suggested that the Board conducts its operations in a manner that is consistent with and appropriate to its mandate.

Board discussions were evaluated as being open and constructive, and the commitment of individual Directors was considered adequate from the point of view of their active participation at Board meetings and also taking into account the in-depth analysis which individual Directors devoted to documentation which they received.

A number of recommendations were made to improve the Board's operation, and it was suggested that a small number of areas should be identified for more specific in-depth analysis, also defining a line and strategy of communication consistent with the Company's positioning and with its business strategy, in order to fully validate the decisions made and the results achieved.

### 2.2.12 Remuneration

Information on the remuneration of Directors, Auditors, General Managers and other Managers with Strategic Responsibilities and Key Executives is provided in the Remuneration Report drawn up by the Company pursuant to Article 123-ter of the Consolidated Financial Act (TUF) and available on the Company's website at [www.fincantieri.com](http://www.fincantieri.com) inside the Section "*Corporate Governance – System of Corporate Governance - Remuneration*".

## 2.3 BOARD COMMITTEES

The Board of Directors has set up three internal Committees with functions of consultation and proposal of resolutions: the Control and Risk Committee, the Remuneration Committee and the Nomination Committee<sup>17</sup>.

The composition, duties and operating procedures, as well as the powers and means of the Committees are governed by special organizational rules approved by the Board of Directors.

All the Committees consist of three non-executive Directors, the majority of whom are independent. Members have competences appropriate to the performance of their duties. Moreover, at least one member of the Control and Risk Committee must have adequate knowledge and experience in the financial and accounting or in the risk management area, while the Remuneration Committee must include at least one member with adequate knowledge and experience in the financial or remuneration policy area.

The Chairperson of each Committee is appointed by the Board of Directors. The Secretary of the Board of Directors acts as Secretary of the various Committees; this figure draws up the minutes of meetings.

The Committees meet with the frequency required in order to perform their functions. Meetings are convened by the Chairperson of the Committee, or if requested by at least two committee members, in order to discuss a specific matter which they consider to be of particular importance. The notice of call is transmitted by the Secretary at the request of the Chairperson of the Committee, in

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<sup>17</sup> The Control and Risk Committee and the Nomination Committee were established by the Board of Directors on 5 May 2014, to come into effect only after the start of trading of the Company's shares on the Italian stock market (MTA) managed by Borsa Italiana. The Remuneration Committee had already been established. The Board of Directors therefore determined the composition of all of the Committees, in conformity with the recommendations of the Corporate Governance Code, for the first time at its meeting of 21 July 2014.

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general at least three days before the meeting. The Secretary provides the committee members with any documentation related to the items on the agenda, normally to accompany the notice of call. A committee meeting is validly constituted if the majority of committee members holding office are present, and resolutions are passed by absolute majority vote of those present. In the event of a tie, the vote of the Committee Chairperson prevails.

The Committees are entitled to access the company information and corporate departments needed to enable them to perform their duties.

In order to carry out their duties, the Committees may avail of external consultants using the Company's structures and at the Company's expense, provided that they are subject to the necessary confidentiality obligations. In addition, the Committees, if they consider it necessary, may prepare an annual budget to be submitted to the Board of Directors for its approval.

### 2.3.1 Control and Risk Committee

#### **Composition**

The Control and Risk Committee consists of the Directors Massimiliano Cesare (non-executive and independent), Paolo Scudieri (non-executive and independent) and Leone Pattofatto (non-executive), appointed by the Board of Directors on 21 July 2014. The Director Massimiliano Cesare was made Chairperson at the same Board of Directors' meeting.

At the time of appointment, the Board acknowledged that the Director Leone Pattofatto had acquired adequate experience in accounting and financial and risk management matters.

Subject to the foregoing, when the Control and Risk Committee meets to assess important related party transactions (see paragraph "Tasks" below) it consists of three independent, non-executive Directors, and therefore the non-independent member - the Director Leone Pattofatto - is replaced by an independent Director selected by the Board of Directors. Until 13 February 2015, the role of substitute was entrusted to the Director Andrea Mangoni, appointed by the Board of Directors on 21 July 2014. Upon the appointment of the Director Mangoni as General Manager, the Board of Directors on 13 February 2015 assigned the aforementioned role to the Director Simone Anichini. The meetings of the Control and Risk Committee are attended by the Chairperson of the Board of Statutory Auditors or a Statutory Auditor appointed by the latter. The Chairperson of the Board of Directors, the Chief Executive Officer (also acting as Director in charge of the internal control and risk management system) and the Head of Internal Auditing may also attend these meetings. The other Auditors and - at the Committee's invitation - other persons including other members of the Board or people belonging to the company structure may also attend these meetings, in order to provide information on and to assess (within their respective competencies) the individual items on the agenda.

#### **Tasks**

The Control and Risk Committee is tasked with supporting the Board of Directors - through adequate investigative activities - in the latter's assessments and decisions related to the internal control and risk management system and related to the approval of periodic financial reports. The Committee submits its opinion in advance to the Board, on the following:

- a) on the guidelines of the internal control and risk management system, to enable the main risks to Fincantieri and its subsidiaries to be properly identified and adequately measured, managed and monitored;

- b) on the degree to which the risks specified in letter a) above are compatible with managing the company consistently with the strategic objectives identified;
- c) on the extent to which the internal control and risk management system is adequate and appropriate to the nature of the company and its risk profile, and on the effectiveness of that system;
- d) on the work programme drawn up by the Head of Internal Auditing;
- e) on the description contained in the Report on Corporate Governance and Ownership Structure of the main characteristics of the internal control and risk management system, also assessing the adequacy of that system;
- f) on the Independent Auditor's findings indicated in the letter of suggestions, if any, and in the report on key issues arising during the audit;
- g) on the proposed terms of appointment, removal and payment of the Head of Internal Auditing, and on the adequacy of the resources assigned to the latter for the performance of the relevant.

The Committee, in assisting the Board, also has the following duties:

- a) to assess - together with the Manager in charge of drawing up the Company's accounting documentation and after having consulted with the Independent Auditors and the Board of Statutory Auditors - the proper application of accounting standards and their uniformity for the purposes of drawing up periodic financial reports;
- b) to give opinions on specific matters pertaining to the key risks to which the Company is exposed;
- c) to examine the periodic reports assessing the internal control and risk management system, and key reports drawn up by the Internal Auditing Function;
- d) to monitor the independence, adequacy, effectiveness and efficiency of the Internal Auditing Function;
- e) to request the Internal Auditing Function to carry out checks on specific operating areas, simultaneously notifying this to the Chairperson of the Board of Statutory Auditors and the Director in charge of the internal control and risk management system, save where the subject-matter of the request relates to the activities of these persons;
- f) to report to the Board on the activities carried out and also on the adequacy of the internal control and risk management system at least every six months, and no later than the deadline for approving the annual financial statements and the half-year financial report, at the Board meeting indicated by the Chairperson of the Board of Directors.

Furthermore, the Control and Risk Committee was provisionally assigned to act as a committee with competence in the area of related party transactions pursuant to the CONSOB Regulation on Related Party Transactions, as described in greater detail in paragraph 4.1 below. The Remuneration Committee was provisionally assigned to act as a committee with competence in the area of related party transactions for remuneration policy, as described on the paragraph 2.3.2. below.

#### **Activities during 2015**

The Control and Risk Committee met ten times in 2015, and the average meeting lasted approximately 1.5 hours. The meetings were attended by an average of 100% of its members.

The meetings were regularly attended by at least one member of the Board of Statutory Auditors. The meetings were duly convened by the Chairperson, generally giving at least three days' notice in advance. The members were generally provided with documentation on the items on the agenda by the same deadline.

The Secretary took the minutes for all the meetings.

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Ten meetings so far (as of the date of this Report) have been scheduled for 2016, of which five have already been held earlier this year. The number of meetings held may be changed during the year, also taking into account the next reappointment of the Board of Directors and, therefore, of the Committee.

**Table 1** attached to this Report specifies the attendance record (expressed as a percentage) of each member in the Committee meetings.

During the above-mentioned meetings during 2015, the Committee:

- gave the Board of Directors its views on the confirmation of Mr. Stefano Dentilli as Head of Internal Auditing and on the fact that he was provided with adequate resources to fulfill his responsibilities and that his remuneration is consistent with company policy;
- gave the Board of Directors its views on the guidelines of the internal control and risk management system;
- received and examined the periodic report of the Head of Internal Auditing for 2014, which also contains an assessment on the adequacy of the internal control and risk management system;
- gave the Board of Directors its views on the approval of the annual audit plan for 2015, drawn up by the Head of Internal Auditing;
- judged the internal control and risk management system to be adequate and effective considering the nature of the Company and its risk profile, giving the Board of Directors its opinion and monitoring the independence, adequacy, effectiveness and efficiency of the Internal Auditing Function;
- judged that the organizational, administrative and accounting structure of the Company and of the main subsidiaries was adequate, also ascertaining that the Manager responsible for preparing the Company's accounting documentation had adequate powers and means to perform the duties assigned to him/her, and overseeing the latter's concrete compliance with administrative and accounting procedures;
- gave its opinion to the Board of Directors on the degree to which the risks of relevance to Fincantieri and its subsidiaries are compatible with the requirement to manage the company consistently with the strategic objectives identified;
- approved the impairment test procedures and results;
- reported to the Board on the activities performed and on the adequacy and effectiveness of the internal control and risk management system; it gave the Board of Directors its views on the Independent Auditor's findings indicated in the letter of suggestions and in the report on key issues arising during the audit;
- assisted the Board by evaluating - together with the Manager in charge of drawing up the Company's accounting documentation and after having consulted with the Independent Auditors and the Board of Statutory Auditors - the proper application of accounting standards and their uniformity for the purposes of drawing up periodic financial reports;
- supported the Board of Directors in its assessments and decisions related to the approval of periodic financial reports;
- examined the consolidated financial statements at 31 December 2014;
- presented the half-year report to the Board on the activities performed and on the adequacy of the internal control and risk management system;

monitored the progress of the subsidiary VARD. The Committee also conducted an in-depth examination of the issues related to the auditing activity conducted at VARD, and kept abreast of developing synergies between the latter and Fincantieri.

**During the early months of 2016, the Committee:**

- gave the Board of Directors its opinion that the Head of Internal Auditing has the resources necessary to perform his duties;
- received and examined the periodic report of the Head of Internal Auditing for 2015, which also contains an assessment on the adequacy of the internal control and risk management system;
- gave the Board of Directors its opinion on the approval of the annual audit plan for 2016, drawn up by the Head of Internal Auditing;
- judged the internal control and risk management system to be adequate and effective considering the nature of the Company and its risk profile, giving the Board of Directors its opinion and monitoring the independence, adequacy, effectiveness and efficiency of the Internal Auditing Function;
- judged that the organizational, administrative and accounting structure of the Company and of the main subsidiaries was adequate, also ascertaining that the Manager responsible for preparing the Company's accounting documentation had adequate powers and means to perform the duties assigned to him/her, and overseeing the latter's concrete compliance with administrative and accounting procedures;
- examined the submission regarding the main risks to which the Company is exposed, with reference to the analysis conducted during 2015;
- gave the Board of Directors its opinion on the internal control and risk management system contained in this Report;
- examined the Company's 2016 budget, but only in relation to risk profiles and financial aspects;
- approved the impairment test procedures for 2016 and results;
- gave the Board of Directors its views on the Independent Auditor's findings indicated in the letter of suggestions and in the report on key issues arising during the statutory audit;
- assisted the Board by evaluating - together with the Manager in charge of drawing up the Company's accounting documentation and after having consulted with the Independent Auditors and the Board of Statutory Auditors - the proper application of accounting standards and their uniformity for the purposes of drawing up the consolidated financial statements to 31 December 2015;
- examined the consolidated financial statements at 31 December 2015;
- presented the half-year report to the Board on the activities performed and on the adequacy of the internal control and risk management system;
- conducted an examination of correct application of accounting standards adopted for the purposes of drawing up the consolidated financial statements to 31 December 2015;

The additional activities performed by the Committee in connection with the internal control and risk management system are described in paragraph 3 below.

In conducting its activities the Committee uses and benefits from the Company's means, resources and corporate structures and, as necessary, also the cost centre provided for the Board of Directors.

### 2.3.2 Remuneration Committee

**Composition**

Until 13 February 2015, the Remuneration Committee was composed of the Directors Andrea Mangoni (non-executive and independent), Simone Anichini (non-executive and independent) and Anna Molinotti (non-executive), appointed by the Board of Directors' meeting of 21 July 2014. The same Board appointed the Director Andrea Mangoni to act as Chairperson, whom the Board considered to have adequate experience in the area of finance and remuneration policy.

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On 13 February 2015, the Board of Directors appointed the Director Paolo Scudieri (non-executive and independent) to act as new member of the Committee in place of Mr. Mangoni, simultaneously appointing the Director Simone Anichini to act as Committee Chairperson, given that his experience in the area of finance and remuneration policy had been acknowledged by the Board as adequate. On 21 March 2016, Ms. Anna Molinotti resigned with immediate effect from the Board of Directors and from the Remuneration Committee.

The meetings of the Remuneration Committee may be attended by the Chairperson of the Board of Directors, the Chief Executive Officer and the Chairperson of the Board of Statutory Auditors or a Statutory Auditor designated by the latter. The other Auditors and – at the Committee’s invitation - other persons including other members of the Board or people belonging to the company structure may also attend these meetings, in order to provide information on and to assess (within their respective competencies) the individual items on the agenda.

No Director, however, may attend meetings of the Committee that drafts proposals to the Board relating to that Director’s remuneration.

### **Tasks**

The Remuneration Committee has consultative powers and powers to propose draft resolutions for the Board. In particular, the Committee:

- a) formulates proposals for the Board on the remuneration policy for Directors and for Key Executives, using (in relation to the latter) information provided by the Chief Executive Officer, which may also reference to market practice in the area of remuneration policy;
- b) periodically assesses the adequacy, overall consistency and concrete application of the remuneration policy for Directors and for Key Executives;
- c) submits proposals or expresses opinions to the Board on the remuneration of Executive Directors and of the other Directors who perform specific roles, and on establishing performance targets linked to the variable component of such remuneration;
- d) monitors the application of the decisions adopted by the Board on the matters referred to in letter c) above, in particular verifying the concrete achievement of performance targets;
- e) reports to the Board on the activities performed, at least once every six months but no later than the deadline for the approval of the annual financial statements and of the half-year financial report, at the board meeting specified by the Chairperson of the Board of Directors;
- f) reports on its own operating procedures at the Shareholders’ Meeting called to approve the annual financial statements, through the Chairperson of the Committee or through a member nominated by him/her.

Furthermore, the Remuneration Committee was provisionally assigned to act as a committee with competence in the area of related party transactions where resolutions are to be adopted in the area of remuneration.

### **Activities during 2015**

During 2015 the Remuneration Committee met ten times, for an average of about one hour and ten minutes. All the Committee meetings were attended by an average of 100% of its members and by at least one member of the Board of Statutory Auditors.

The meetings were all duly convened by the Chairperson, generally with at least three days advance notice. The members were provided with documentation on the items on the agenda by the same deadline.

The Secretary took the minutes for all the meetings.



Ten meetings have been scheduled for 2016, of which 3 have already been held earlier this year. The number of meetings may still be changed during the year, also taking into account the next reappointment of the Board of Directors and, therefore, of the Committee.

**Table 1** attached to this Report specifies the attendance record (expressed as a percentage) of each member in the Committee meetings.

During the meetings held during 2015, the Committee:

- gave the Board of Directors its opinion on the remuneration policy for executive Directors, General Managers, Managers with Strategic Responsibilities and Key Executives for the 2015 financial year<sup>18</sup>;
- verified the achievement of performance targets related to the variable component of the remuneration of the Chief Executive Officer and of the Chairperson for the 2014 financial year, and approved the proposal to the Board of Directors relating to the objectives for the 2015 financial year;
- implemented (with the support of Mercer Italian and Tower Watson, independent consulting firms) a Long Term Incentive Plan for the Group's Top Management, which aims to motivate and incentivise the Group and, at the same time, to align its interests with shareholders' expectations;
- submitted to the Board of Directors the half-year report on the Committee's activities;

During the early months of 2016, the Committee:

- formulated a proposal to draft a Long Term Incentive Plan for the Group's Top Management, to be submitted to the Board of Directors;
- approved the Remuneration Report 2015, pursuant to Article 123-ter of the Consolidated Finance Act (TUF);
- submitted to the Board of Directors the half-year report on the Committee's activities.

In conducting its activities the Committee uses and benefits from the Company's means, resources and corporate structures and, as necessary, also the cost centre provided for the Board of Directors.

### 2.3.3 Nomination Committee

#### Composition

The Nomination Committee is composed of the Directors Simone Anichini (non-executive and independent), Massimiliano Cesare (non-executive and independent) and Leone Pattofatto (non-executive), appointed by the Board of Directors on 21 July 2014. The Board of Directors appointed the Director Simone Anichini to act as Chairperson.

The meetings of the Nomination Committee may be attended by the Chairperson of the Board of Directors, the Chief Executive Officer and - for matters within the remit of the Board of Statutory Auditors - the Chairperson of the Board of Statutory Auditors or a Statutory Auditor designated by the latter. The other Auditors and - at the Committee's invitation - other persons including other members of the Board or people belonging to the company structure may also attend these meetings, in order to provide information on and to assess (within their respective competencies) the individual items on the agenda.

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<sup>18</sup> Information on the General Managers, Managers with Strategic Responsibilities and Key Executives is available in the Remuneration Report drawn up pursuant to Article 123-ter of the Consolidated Financial Act (TUF), published on the Company's website at [www.fincantieri.com](http://www.fincantieri.com), in the Section "Corporate Governance- System of Corporate Governance- Remuneration".

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## Tasks

The Nomination Committee has consultative powers and powers to propose draft resolutions for the Board, and in particular:

- a) formulates opinions for the Board on the size and composition of the Board of Directors, and makes recommendations about the professional offices that should be represented within the board;
- b) proposes candidates to the Board for the office of Director in the event of co-optation, or where Independent Directors need to be replaced;
- c) proposes to the Board a policy on the maximum number of offices as director or auditor which a Director may hold, and conducts the related periodic investigations and assessments, to be submitted to the Board;
- d) if the Shareholders' Meeting authorises general prior exemptions from the prohibition on competition of Article 2390 of the Italian Civil Code, the Committee formulates observations for the Board on any activities of Directors which are in competition with the Company's activities;
- e) supervises the annual self-assessment of the Board and of its Committees and, taking into account the results of that assessment, makes its views known to the Board about the size and composition of the Board and its Committees, and also about the general competences and professional offices considered desirable to have within the Board or the Committees in order to ensure that the Board can make its position known to shareholders before the new Board is appointed;
- f) investigates the annual assessments of the Directors' independence and integrity, based on applicable criteria, and of whether or not a basis exists for their incompatibility or ineligibility;
- g) reports to the Board on the activities carried out, at least every six months and no later than the deadline for approving the annual financial statements and the half-year financial report, at the Board meeting indicated by the Chairperson of the Board of Directors.

## Activities during 2015

The Nomination Committee met four times in 2015, and the average meeting lasted approximately fifty minutes. The meetings were attended by an average of 100% of its members.

The meetings were all duly convened by the Chairperson, generally with at least three days advance notice. The members were provided with documentation on the items on the agenda by the same deadline.

The Secretary took the minutes for all the meetings.

Five meetings were scheduled for the 2016 financial year, one of which has already taken place in the early months of this year. The number of meetings may still be changed during the year, also taking into account the next reappointment of the Board of Directors and, therefore, of the Committee.

**Table 1** attached to this Report specifies the attendance record (expressed as a percentage) of each member in the Committee meetings.

During the meetings held during 2015, the Committee:

- organised an investigation preparatory to the proceedings of the Board on preparing a possible succession plan for the executive Directors, and on the annual self-assessment of the Board of Directors and of the Committees;
- supported the Board of Directors in investigating the assessments of the Directors' independence and integrity, based on applicable criteria, and of whether or not a basis exists for their incompatibility or ineligibility;
- conducted the "board evaluation" investigative activities envisaged by the Corporate Governance Code with the support of an *ad hoc* consulting firm;

- submitted to the Board of Directors the half-year report on the Committee's activities;

During the early months of 2016, the Committee:

- supported the Board of Directors in investigating the assessments of the Directors' independence and integrity, based on applicable criteria, and of whether or not a basis exists for their incompatibility or ineligibility;
- submitted to the Board of Directors the half-year report on the Committee's activities.

In conducting its activities the Committee uses and benefits from the Company's means, resources and corporate structures and, as necessary, also the cost centre provided for the Board of Directors.

## 2.4 BOARD OF STATUTORY AUDITORS

### 2.4.1 Composition of the Board of Statutory Auditors

Pursuant to Article 30 of the By-laws, the Board of Statutory Auditors consists of 3 Statutory Auditors and 3 Alternate Auditors appointed by the Shareholders' Meeting in accordance with the procedures described in paragraph 2.4.2 below.

The acting Board of Directors - appointed by the ordinary Shareholders Meeting on 28 May, 2014<sup>19</sup> - consists of the following Statutory Auditors: Gianluca Ferrero (Chairperson), Alessandro Michelotti and Fioranna Vittoria Negri; its term of office will expire at the meeting to approve the financial statements for the year ended on 31 December 2016.

The Shareholders' Meeting of 28 May 2014 also appointed Claudia Mezzabotta and Flavia Daunia Minutillo as Alternate Auditors.

The acting Auditors satisfy the integrity and professionalism requirements of Article 148, paragraph 4, of the Consolidated Finance Act (TUF) adopted by Decree No. 162 of the Ministry of Justice on 30 March, 2000. For the purposes of Article 1, paragraph 2, letters b) and c), of this Decree, the Company's activities are closely associated with the areas of commercial law, tax law, business economics and corporate finance, as well as areas related to naval engineering.

The members of the Board of Statutory Auditors also satisfy the independence requirements provided for by Article 148, paragraph 3, of the Consolidated Financial Act (TUF) as well as those recommended by the Corporate Governance Code. Special declarations of conformity with these independence requirements were submitted and signed by the Auditors and verified by the Board of Statutory Auditors on 16 February 2016. The Auditors, also by virtue of the foregoing, act independently from all Shareholders. Therefore an Auditor who - independently or on behalf of third parties - has an interest in a particular transaction/operation of the Company must promptly and fully inform the other Auditors and the Chairperson of the Board of Directors about the nature, terms, origins and extent of this interest.

The Auditors are also obliged to respect the limits on multiple offices held as director and auditor in Italian corporations (società di capitali) provided for by applicable regulatory provisions and by the By-laws (see **Table 2** on the "Structure of the Board of Statutory Auditors" attached to this Report). In compliance with the provisions of the Decree of the President of the Council of Ministers of 25 May 2012 and of the By-laws, the Auditors do not hold any office in the governing or audit/

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<sup>19</sup>. At the Shareholders' Meeting of 28 May 2014 the Board of Statutory Auditors was appointed, the provisions of the company By-laws on slate voting described below did not yet apply, since the appointment occurred prior to the admission to listing of the Company's shares. The Board of Statutory Auditors will be appointed using the slate system when it is due for reappointment, whereupon the Shareholders' Meeting will also appoint three Alternate Auditors.

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supervisory bodies of, or perform executive functions at, Eni S.p.A. or its subsidiaries, and are not involved in any direct or indirect professional or economic capacity with those companies. The Auditors' curricula vitae are attached to this Report, which detail the key personal and professional information relating to them (see **Annex 2**).

#### 2.4.2 Appointment and replacement of Auditors

The Board of Statutory Auditors is appointed by the ordinary Shareholders' Meeting in accordance with the procedures described below. Auditors remain in office for three years, and they will cease from office at the date of the Shareholders' Meeting called to approve the financial statements for their third year of office; they may be re-elected.

The appointment of Auditors is governed by Article 30 of the By-laws, in which a full description of the relevant provisions is given<sup>20</sup>.

##### **Slate voting**

The Board of Statutory Auditors is appointed using a system of slates submitted by the Shareholders, in accordance with applicable regulatory provisions on equal access to corporate bodies by the less represented gender.

##### **Entitlement to submit, file and publish slates**

Shareholders are entitled to submit slates only if they represent - individually or in combination with other shareholders - at least 1% of the share capital or such other percentage, if lower, that is approved by CONSOB in the latter's Regulation.

The provisions of the By-laws related to the appointment of the Board of Directors (see paragraph 2.2.4 above) and other relevant regulatory provisions in force are applicable, in so far as relevant, to the submission and filing and publication of voting slates.

##### **Composition of slates**

Candidates must be listed in sequential order in the slates, in a number not to exceed the number of members to be elected.

Slates are divided into two sections: one for candidates for the office of Statutory Auditor and the other for candidates for office of Alternate Auditor. The first of the candidates of each section must be enrolled in the Roll of Certified Accountants and must have at least three years of experience in the statutory audit of accounts.

Furthermore, slates that - taking both sections into account - present three or more candidates must include (in the first two positions of the section of the list related to Statutory Auditors and in the first two positions of the section of the list related to Alternate Auditors) candidates of different genders, thus ensuring that the composition of the Board of Statutory Auditors complies with applicable rules on gender balance.

##### **Appointment procedures**

Auditors are elected as follows:

- a) two Statutory Auditors and two Alternate Auditors are drawn from the slate that obtained the highest number of votes, in the sequential order in which they are listed in the sections of that slate;

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<sup>20</sup>. The By-laws are available on the Company's website at [www.fincantieri.com](http://www.fincantieri.com), in the Section "Corporate Governance - Corporate Governance System".

- b) the remaining Statutory Auditor and the remaining Alternate Auditor are appointed in accordance with applicable rules and based on the procedures of the By-laws applicable to the appointment of Directors drawn from the minority slates (see paragraph 2.2.4 above), to be applied separately to each of the sections comprising the other slates.

The Chairperson of the Board of Statutory Auditors is appointed by the Shareholders' Meeting from Statutory Auditors elected by the minority.

The slate voting procedure described above applies only where the entire Board of Statutory Auditors is appointed.

### **Replacement**

If it should prove necessary during the year to replace one of the Auditors drawn from the slate that obtained the highest number of votes, the first of the Alternate Auditors drawn from that slate will be appointed instead. If this replacement procedure does not allow a Board of Statutory Auditors to be reconstituted in conformity with applicable gender balance rules, then the second of the Alternate Auditors drawn from that slate will be appointed in place of the outgoing Auditor. If it should prove necessary to replace the other Auditor drawn from the slate that obtained the highest number of votes, the first of the Alternate Auditors drawn from that slate will be appointed in place of the outgoing Auditor.

If it should prove necessary to replace the Chairperson, this office will be assumed by the Alternate Auditor who has been appointed by the same procedures as the Chairperson.

### **2.4.3 Tasks of the Board of Statutory Auditors**

Pursuant to Article 149 of the Consolidated Financial Act (TUF), the Board of Statutory Auditors monitors: (i) compliance with the law and with the By-laws; (ii) compliance with the principles of proper administration; (iii) the adequacy of the Company's organizational structure for the matters under its responsibility, of the internal control system and of the administrative-accounting system, and the ability of that system to reliably and accurately represent the operations carried out; (iv) the procedures for the concrete implementation of the corporate governance rules envisaged by the Corporate Governance Code, including those related to resolutions approving remuneration and other benefits; (v) the adequacy of the Company's directions to its subsidiaries in ensuring due observance of applicable disclosure obligations.

Additionally, Article 19, paragraph 1, of Legislative Decree No. 39 of 27 January 2010, confers upon the Board of Statutory Auditors additional functions as "internal control and auditing Committee". In this capacity, the Board of Statutory Auditors monitors: (a) the financial reporting process; (b) the effectiveness of the internal control, internal auditing and risk management systems; (c) the statutory audit of the annual accounts and consolidated accounts; (d) the independence of the Independent Auditor, particularly in relation to the provision of non-auditing services for the company undergoing the statutory audit<sup>21</sup>.

Pursuant to Article 13 of Legislative Decree No. 39/2010, the Board of Statutory Auditors is responsible for drawing up a draft proposal for the Shareholders' Meeting, duly reasoned, to appoint an Independent Auditor and determine the appropriate fees. The Board of Statutory Auditors is

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<sup>21</sup> In relation to these tasks and to the role of the internal control and auditing Committee, changes could come into effect during 2016 after the entry into force of EU Regulation No. 537/2015, of EU Directive 2014/56 and of the associated implementing provisions, relating to the statutory audit of Public Interest Entities.

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also requested to give its views for the purpose of determining the remuneration of Directors holding particular offices, pursuant to Article 2389, paragraph 3, of the Italian Civil Code and for the purpose of appointing the Manager responsible for preparing the Company's accounting records pursuant to Article 154-bis, paragraph 1, of the Consolidated Financial Act (TUF).

In line with the recommendations of the Corporate Governance Code, the Board of Statutory Auditors:

- is consulted by the Board of Directors: (i) for the purposes of approving the audit plan drawn up by the Head of Internal Auditing; (ii) about the results presented by the Independent Auditor in the letter of suggestions, if any, and in the report on key issues arising during the statutory audit; (iii) for the appointment of the Head of Internal Auditing, and also for ascertaining that the latter has adequate resources and that the remuneration provided is consistent with company policy;
- is consulted by the Control and Risk Committee for purposes of ascertaining and assessing the correct application of accounting standards;
- receives, through the Chairperson of the Board of the Statutory Auditors, the periodic reports which the latter receives from the Head of Internal Auditing;

The Statutory Auditors (also acting individually) may, for the above purposes, request the Company's Internal Auditing Function to check specific operating areas or company transactions/operations. The Board of Statutory Auditors also ensures that information is promptly exchanged with the Control and Risk Committee, which is of relevance to enable them to perform their respective tasks.

#### 2.4.4 Meetings of the Board of Statutory Auditors

The Board of Statutory Auditors met eleven times in 2015, and the average meeting lasted approximately four hours. The meetings were attended by an average of 96.9% of the Statutory Auditors.

Ten meetings have been scheduled for the financial year 2016, of which four have already taken place earlier this year.

**Table 2** attached to this Report specifies the attendance record (expressed as a percentage) of each Statutory Auditor at meetings of the Board of Statutory Auditors.

During 2015, the Company - through the Chairperson of the Board of Directors who played a coordinating role - promoted the participation by Directors and Auditors in initiatives to foster knowledge of all sectors of activity and strategies of Fincantieri, and of topics related to the Company's organization. Directors and Auditors have also been involved in visiting a number of the Company's production facilities in Italy, where they have had an opportunity periodically to interface with the Facility Managers and/or with the Managers of specific production sectors ("board induction").

#### 2.4.5 Remuneration

The remuneration of the Board's Statutory Auditors is determined by the ordinary Shareholders' Meeting at the time of appointment. Information on the remuneration of Auditors is contained in the Remuneration Report drawn up by the Company pursuant to Article 123-ter of the Consolidated Financial Act (TUF), available on the Company's website at [www.fincantieri.com](http://www.fincantieri.com), in the Section "Corporate Governance - Corporate Governance System - Remuneration" and in the Section "Corporate Governance - Meetings - Shareholders' Meetings 2016".



### 3. Internal control and risk management system

The Company's internal control and risk management system ("ICRMS") consists of a set of tools, organizational structures and corporate procedures (codified in a special "Organizational Handbook" that is periodically updated and disseminated within the Company) which seeks - by a process of identifying, managing and monitoring the main risks within the Company - to contribute to sound and proper company management, consistent with the predetermined objectives defined by the Board of Directors.

The Internal Control and Risk Management System is integral to the organizational and corporate governance framework adopted by the Company, and it takes its inspiration from relevant models in the sector, from the recommendations contained in the Corporate Governance Code and from the best practices that are applied both at national and international level.

Fincantieri has adopted the "CoSO - Internal Control Integrated Framework" and the "COBIT 5 - Control Objectives for Information and related Technology" frameworks as the principal "company-wide" tools for evaluating the Internal Control System, particularly with reference to financial reporting.

The ICRMS also assists in identifying, measuring, managing and monitoring the main risks, as well as the reliability, accuracy and rapid delivery of financial reports.

Fincantieri is aware that an effective ICRMS contributes toward managing the enterprise consistently with the corporate objectives determined by the Board of Directors, facilitating the adoption of resolutions in a context of full knowledge and information. More particularly, the ICRMS contributes to safeguarding corporate assets and optimising efficient and effective corporate processes, reliable financial information, compliance with legislative and regulatory provisions and compliance with the Company's By-laws and company procedures.

This system, defined based on international leading practices, has the following three levels of control:

- 1<sup>st</sup> level: the operating Functions identify and assess risks and implement specific actions to manage them;
- 2<sup>nd</sup> level: the Functions responsible for risk management define risk management methods and tools, and conduct monitoring activities;
- 3<sup>rd</sup> level: the Internal Auditing Function independently evaluates the entire System.

#### 3.1 MAIN CHARACTERISTICS OF THE ICRMS

After having received the Control and Risk Committee's opinion, by resolution of 9 December 2014, the Company's Board of Directors adopted guidelines for the internal control and risk management system (the "**Guidelines**"), to enable the main risks relevant to Fincantieri and its subsidiaries to be properly identified and adequately measured, managed and monitored.

During 2015, as indicated in the Report on corporate governance and ownership structure for 2014 approved by the Board of Directors on 13 March 2015, a project to develop and optimise the risk management system was launched which facilitated the implementation of the Board Directors' guidelines. The result of the activities carried out - in line with best practices in this area (CoSO ERM), facilitated:

- identifying and classifying the main risks within a structured process;
- sharing business objectives and implementing them at the business unit level;
- measuring and quantifying risks in relation to the company objectives identified;

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enabling the Board of Directors and the Control and Risk Committee to receive structured information on the main corporate risks within the Company, as well as an assessment thereof framed in terms of mitigating actions underway. During 2016, the project will be supplemented by designing and putting in place a reporting system for the continuous monitoring of risks, to assist the Board of Directors and the business units involved. In 2015, the Audit Plan prepared by the Internal Auditing Function provided for verification activities in all areas of risk (compliance, reporting, operations) and, where shared mapping was not yet in place, suitable investigations were carried out to identify operational areas requiring monitoring. This alternative approach by the Company has in fact achieved the objective of good corporate governance, as recommended by the Corporate Governance Code for listed companies. For 2016, the Audit Plan approved by the Board of Directors on 16 February 2016 is based on the analysis and prioritization of risks deriving from the aforementioned project, which was submitted to the Control and Risk Committee, to the Board of Statutory Auditors and the Board of Directors on 7 March 2016.

The guidelines approved by the Board of Directors identify the main parties involved in preparing and implementing an effective internal control and risk management system, defining their duties and responsibilities and providing for a system of information flows that can optimise the results. Fincantieri's internal control and risk management system as described in the Guidelines involves the contribution of the following bodies/officers, each acting within its/one's own remit: (i) Board of Directors; (ii) Control and Risk Committee; (iii) Director responsible for the ICRMS; (iv) Head of Internal Auditing and Internal Auditing Function; (v) Manager responsible for preparing the Company's corporate and accounting documentation; (vi) Supervisory Body (vii) Board of Statutory Auditors. All of the Group's personnel, furthermore - within their respective remit and responsibilities - are expected to take an active part in the maintenance, updating and proper functioning of the ICRMS, as defined by the Group's internal rules and procedures.

Subject to the provisions of paragraphs 2.2.5 and 2.3.1 relating to the internal control and risk management responsibilities assigned to the Board of Directors and the Control and Risk Committee respectively, and subject to provisions below specifically related to the other parties involved, the main features of the ICRMS adopted by the Company will be described below<sup>22</sup>.

#### **Identification of risks**

The risks are identified on the basis of the following criteria:

- a) nature of the risk, with particular reference to operating and financial risks, risks related to accounting rules (reporting risks) and compliance risks that could potentially have a significant impact on the Company's reputation;
- b) extent of the risk;
- c) significant likelihood that the risk will materialize;
- d) limited ability of the Company to reduce the impact of risk upon its operations.

#### **Implementation of the ICRMS**

The ICRMS consists of, and refers to, policies, procedures and conduct which, considered together, enable the Group:

- a) to make its operations more efficient, placing it to react appropriately to operating, financial, legal or other risks which impede the achievement of its business objectives;

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<sup>22</sup>. Previously mentioned, the SCIGR guidelines themselves may be reviewed when the changes to the Corporate Governance Code are adopted in July 2015.

- b) to guarantee the quality of its internal and external reporting system. This requires an effective registration system to be used, as well as processes that generate a flow of relevant and reliable information inside and outside the organization;
- c) to facilitate compliance with applicable legislative and regulatory provisions as well as internal procedures;
- d) to safeguard the Company's assets from loss or from inappropriate or fraudulent use.

To this end, the Director in charge of the ICRMS ensures that the ICRMS:

- (i) is an integral part of the Group's business ethic and operations, to this end implementing appropriate informational, communications and training processes as well as disciplinary and reward systems which incentivise the proper management of risks and discourage conduct that is contrary to the principles dictated by those processes;
- (ii) is in a position to react promptly to significant risks arising within the Group or arising from changes in the Group's operating environment;
- (iii) includes procedures for immediately reporting issues to the appropriate Group level, putting in place suitable organizational solutions for this purpose which guarantee that the functions directly involved in the ICRMS have direct access to the necessary information and to Company's senior managers;
- (iv) regularly verifies the effectiveness of the ICRMS and the possibility of activating specific controls if weaknesses in the ICRMS are reported;
- (v) facilitates the identification and prompt implementation of corrective actions.

#### **Assessment of the effectiveness of the ICRMS**

Periodically verifying the adequacy and effective operation of the internal control and risk management system - and updating it as appropriate - represents an essential activity of the ICRMS, aimed to ensure that the system is fully effective and properly implemented.

The Board of Directors conducts these verification activities with the support of the Control and Risk Committee. In conducting these, the Board of Directors is careful not only to verify the existence and implementation of an ICRMS within the Company, but also to regularly examine the structure of that System in detail, as well as its suitability and its effective, concrete operation. To this end, the Board of Directors consults with the Head of Internal Auditing on the audit activities conducted (already examined by the Control and Risk Committee) in order to verify whether the Company's ICRMS is actually effective in pursuing its objectives and whether any shortcomings reported indicate that the System needs to be improved.

The Board of Directors, at its meeting to approve the financial statements, is also obliged:

- to examine any material business risks which the Director in charge of the ICRMS has notified to it, and to evaluate how these risks were identified, assessed and managed. Here, special importance is given to examining changes - during the most recent reference year - in the nature and extent of risks and assessing the Company's response to those changes;
- to assesses the effectiveness of the ICRMS in dealing with such risks, focusing particular attention on any reported inefficiencies;
- to consider which actions were taken or should be promptly taken to remedy any shortcomings detected;
- to prepare any additional policies, processes and rules of conduct that would enable the Company to react appropriately to new risk situations not properly managed to date. Periodically verifying the adequacy and effective operation of the ICRMS- and updating it as appropriate - represents an essential activity of the ICRMS, which seeks to ensure that the system is fully effective and properly implemented.

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The project realised in 2015 to develop and optimise the risk management system enabled the Director in charge of the SCIGR, on 7 March 2016, to identify the key business risks and to communicate them - with the support of the Head of Internal Auditing - to the Control and Risk Committee and the Board of Statutory Auditors, and to submit them to the Board of Directors for its assessment (paragraph 3.2.1 may be referenced here). More particularly, the criteria for assessing corporate risks were highlighted with reference to the mitigating actions in place; the analysis conducted revealed no significant shortcomings requiring the adoption of specific corrective measures.

### **Information flows**

In order to enable the various parties involved in the ICRMS to adequately carry out their duties within that System, special information flows are defined between the various levels of control and the competent management and control bodies, suitably coordinated in terms of content and timeframes.

In addition to the information flows described in the paragraphs below, special information flows are also in place between the corporate functions assigned to second and third level controls. In particular, those in charge of the second level control functions notify the Head of Internal Auditing of any critical issues found while carrying out their activities, which could be of interest to the Internal Auditing Function when conducting checks that fall within its remit. In turn, the Head of Internal Auditing informs the managers of the other control functions about any inefficiencies, weakness or irregularities found during verifications conducted in a specific areas, or of matters falling within the remit of such functions.

### **Main characteristics of the internal control and risk management systems in place for the financial reporting process (Compliance model pursuant to Law No. 262/2005)**

The Internal Auditing Function has developed the Compliance Model under Law No. 262/2005 in order to analyze the significant items of Fincantieri's consolidated financial statements and to trace back to the corporate processes that assist in forming/preparing economic-financial information. The Compliance Model, among other things, defines the specific components of administrative-accounting disclosure, providing for a system of administrative-accounting procedures that is supported and, occasionally, suitably supplemented by "risk and control Matrices"; finally, it defines procedures and timetables for the administrative-accounting risk assessment process in order to identify the most important processes for the purposes of accounting and financial disclosure. Fincantieri has adopted the following programme of activities to support the certifications required by Law No. 262/05:

- Scoping: identifying the area to be analyzed i.e., selecting the companies, accounts and processes that have a material effect on financial statement items, applying quantitative and qualitative parameters. The scoping activities also aim to identify the companies, processes and sub-processes that are relevant for purposes of the Fincantieri Group's financial statements, by applying a quantitative and qualitative analysis. The quantitative analysis has been conducted beginning with the Fincantieri consolidated financial statements for the year ending 31 December 2014. Qualitative analysis was used to validate the results of the quantitative analysis and to identify the Group Companies most vulnerable to significant risks or impacts, irrespective of their implications for the consolidated financial statements.
- Assessment of "entity level" controls: assessment of the controls implemented at the level of the entities identified during the scoping phase, in order to verify whether they have been properly defined and operate effectively. Entity level controls are applied by management in the confidence that these will guarantee appropriate conduct that is in line with the Company's

approach and also maximise the effectiveness of functions considered critical from the point of view of financial reporting integrity (including Administrative, Finance and Control functions, the Project Management team, the Board of Statutory Auditors and the Board of Directors). Under the CoSO framework, this type of control also includes controls related to risk management, change management, integrity and ethical values, as well as controls related to the proactive involvement of the Board of Directors and of its Committees (if present), controls related to the operations and philosophy of the Company, and to the effectiveness of the Company's communications, policies and procedures.

- Assessment of “process level” controls: assessment of controls put in place at the process level in order to verify whether they are properly defined and operate effectively, in relation to the entities identified during the scoping phase. The management in charge of drafting corporate accounting documentation must identify the processes and controls on business activities which are of critical importance for the financial statements and for the financial reporting process, and then document these processes and controls as a basis upon which to assess the control model and its operational effectiveness. The internal controls must be properly designed in order to be effective. Additionally, internal controls which are necessary in order to reasonably ensure the accuracy of the Company's accounting documents must be put in place and conducted by adequately qualified personnel who are authorised and responsible for implementing them (process owners). Based on a verification of the documentation related to the processes considered, the Internal Auditing Function gives the Manager in charge its assessment of the effectiveness of the design of process controls.
- Assessment of IT level controls: assessment of IT controls implemented within the organization in order to verify whether they have been properly defined and operate effectively. Transaction flows generally involve the use of application systems to automate the processes and to support high transaction volumes. These application systems are based upon various different IT support systems, including corporate networks, databases, operating systems and other. Collectively, these define the IT systems involved in the financial reporting process and, consequently, they should be considered in the design and evaluation of internal controls. For these reasons, IT controls have a pervasive effect on the achievement of many control objectives. General Computer Controls (GCC) are controls used to manage and control IT activities and the IT area as a whole. The automated control procedures and the manual control procedures that use information generated by IT systems (referred to as Application Controls), depend upon the effectiveness of the GCC. The relationship between the Application Controls and the GCC is based on the fact that the latter are necessary to support the functioning of application controls and both are necessary to ensure the complete, accurate and valid processing of information. Company organizations require IT support in order to ensure that the general control environment as well as application controls exist and fully support the compliance objectives of the company activity in question. In 2015, Fincantieri adopted COBIT 5 as a reference model to assess internal controls in the IT area; this latest version of that framework can provide a representation of IT governance that reflects the key role of information and technology in creating value for the enterprise. The Corporate Disclosure Systems Function (CO or COCIO), supported by the Internal Auditing Function, is responsible for assessing the level and adequacy of the internal controls in the IT environment. The assessment process developed by Fincantieri to assess GCC compliance is based upon the following key activities:
  - Selecting control objectives: assessing the significance and applicability of the control objectives proposed by the reference framework relevant to supporting the mandatory certificates pursuant to Law No. 262/2005;

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- identifying existing IT General Controls, based on interviews with IT management and examination of existing documentation, and their association with the Governance & Management Practices of COBIT 5;
  - verifying the coverage level of the controls, in relation to the control objectives identified as applicable and relevant;
  - designing additional controls of the relevant test procedures in a context where gaps have emerged in relation to the control objectives identified.
- Testing: activities conducted by the Internal Auditing Function to assess the effectiveness of the Internal Control System, involving audit activities preparatory to certification by management. Once the control schemes have been shown to be effective, the controls must then undergo effectiveness tests to ensure their operational status. This assessment is applied to each control individually and the following are the main steps involved in reaching the assessment: defining the test plan, testing activities, identifying operating deficiencies in the controls, discussing and identifying corrective measures. The Internal Auditing Function makes the test results official by communicating them to the relevant entities/process owners and monitors the implementation of the action plans agreed in order to mitigate any deficiencies identified. The process owners are responsible for implementing the action plans with a view to improving the internal control environment on whose basis the management in charge of drafting the corporate accounting documents makes its certification.
  - Control Owners' self-certification: the self-assessment process by which the Control Owners certify the effective operation of the controls within the processes/sub-processes of direct relevance.
  - Internal certifications (Fincantieri): prepared by the Process Owners to accompany the self-certifications (preceding paragraph).
  - External certifications (subsidiaries included in the consolidation area): the process whereby the management certifies the formal assessment of the effectiveness of the internal control structure and the related procedures.

The activities of testing and self-certification of the Control Owners, and the issuance of the internal and external Certifications represent all of the activities of verification of the compliance program.

The Board of Directors is notified of the results of these activities in the half-year report and in the annual financial statements.

## 3.2 PERSONS INVOLVED IN THE ICRMS AND ASSOCIATED TASKS

With reference to the tasks and activities conducted by the Board of Directors, by the Control and Risk Committee and by the Board of Statutory Auditors in relation to the ICRMS, reference may be made to the paragraphs 2.2.5, 2.3.1 and 2.4.3 above.

### 3.2.1 Director in charge of the ICRMS

The Director in charge of the Internal Control and Risk Management System is responsible for the following:

- identifying the main business risks, taking into account the nature of the activities of the Company and its subsidiaries, and ensuring that they are periodically examined by the Board of Directors;



- implementing the guidelines defined by the Board of Directors, looking after the design, realization and management of the ICRMS, and verifying its adequacy and effectiveness on an ongoing basis;
- adapting the ICRMS to operational dynamics and to the legislative and regulatory environment;
- formulating proposals for the Board of Directors - with the agreement of the Chairperson - relating to the appointment, removal and payment of the Head of Internal Auditing, taking care to ensure that the latter has adequate means and resources to perform the relevant functions and is remunerated in line with company policies;
- requesting the Internal Auditing Function to check specific operating areas and verify compliance with internal rules and procedures when carrying out company transactions/operations, simultaneously notifying the Chairperson of the Board of Directors, the Chairperson of the Control and Risk Committee and the Chairperson of the Board of Statutory Auditors;
- reporting to the Board of Directors in good time any problematic and critical issues that have emerged during the course of the Director's duties or that have come to the latter's attention, thus enabling the Board of Directors to take the appropriate action.

During 2015 and in the first few months of 2016, the Director in charge of the ICRMS:

- implemented the Guidelines on the ICRMS, looking after the planning, realization and management of the ICRMS and ensuring its adequacy and effectiveness over time, also taking into account operating conditions as well as the legislative and regulatory environment;
- identified the most important corporate risks and, through the Head of Internal Auditing, presented them to the Control and Risk Committee and to the Board of Statutory Auditors, then submitting them to the Board of Directors for its examination at the meeting of 7 March 2016; received and reviewed the reports transmitted by the Head of Internal Auditing.

### 3.2.2 Head of Internal Auditing and Internal Auditing Function

The Head of Internal Auditing is Mr. Stefano Dentilli, whose appointment was confirmed by the Board of Directors on 27 February 2015, on the proposal of the Director in charge of the ICRMS, having received the favorable opinion of the Control and Risk Committee and having consulted with the Board of Statutory Auditors.

Again on a proposal of the Director in charge of the ICRMS and after having received the favorable opinion of the Control and Risk Committee and consulted with the Board of Statutory Auditors, this Board Meeting, also determined the remunerations for the Head of Internal Auditing in line with company policy, and confirmed that said Director has adequate means and resources to carry out his/her functions.

The Internal Auditing Function's mission is to monitor the adequacy of the internal control system of the Parent Company and the subsidiaries, ensuring that its efficiency and effectiveness are improved on an ongoing basis by carrying out independent and objective verification, validation and consultancy activities.

The Board of Directors has appointed the Head of Internal Auditing to perform the following tasks and responsibilities:

- to verify - on an ongoing basis and also depending on specific requirements - the operational status and suitability of the ICRMS within the Group, with reference to company procedures, the management of risks and the measures implemented to safeguard against those risks through an audit plan approved by the Board of Directors, based upon a process of analysis and prioritization of the most important risks;
- to prepare periodic reports containing adequate information on the activities of the Head of Internal Auditing, on the manner in which the risk management activities are carried out,

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and on compliance with the plans drawn up to contain those risks. The periodic reports also assess the suitability of the internal control and risk management system;

- to draw up reports on particularly important events in good time;
- to submit its periodic reports to the Director in charge of the ICRMS, to the Control and Risk Committee, to the Board of Statutory Auditors and to the Board of Directors; to verify, in the context of the audit plan, the reliability of the information systems including the accounting systems, and the separation of functions;
- to analyze circumstantiated reports of problems associated with the financial statements, the internal and/or external audit and with the controls in general;
- to assist the Company's and Group's Boards of Statutory Auditors in identifying and conducting a preliminary assessment of the Independent Auditor's proposals relating to the statutory audit of accounts;
- to assist the Supervisory Bodies (pursuant to Legislative Decree No. 231/2001) of the Company and the Group in performing their functions;
- to compare and exchange information with the Chief Executive Officer (as the ICRMS delegate), the Supervisory Body, the Board of Statutory Auditors, the Manager responsible for preparing the Company's accounting and corporate documentation, and the Independent Auditors.

Depending upon the tasks assigned, the Head of Internal Auditing:

- has no responsibility over any operational area, and reports to the Board of Directors;
- holds no corporate offices of any kind (except as member of the Supervisory Body) in the Company and/or any of its operating subsidiaries;
- has ongoing, unconditional access to all company information, data, persons, databases and assets that may be useful for performing the tasks assigned to him/her;
- submits a report to the Board of Directors on his/her activities at least twice a year, liaising with the Director in charge of the ICRMS, with the Control and Risk Committee and with the Board of Statutory Auditors and, in carrying out his/her his functions, also has dealings with the Supervisory Body and with the Manager responsible for drawing up the Company's accounting records;
- independently manages the expenditure budget established for his function and for the Supervisory Body, both approved by the Board of Directors, subject to agreement with the Director in charge of the internal control and risk management system;
- entrusts the performance of a number of activities related to his/her function to an external consultancy firm that is independent of the Company and the Group, if specific technical expertise is required which cannot be found within the Internal Auditing Function.

During 2015 and in the first few months of 2016, the Head of Internal Auditing:

- verified - on an ongoing basis and also based on specific requirements and in accordance with international standards - the operational status and suitability of the ICRMS, by means of an audit plan approved by the Board of Directors that is based on a structured process of analysis and prioritization of the most important risks;
- had direct access to all information useful for performing the assignment;
- prepared periodic reports containing adequate information on the activities carried out, and sent them to the Director in charge of the ICRMS, to the Control and Risk Committee and to the Board of Statutory Auditors, and gave the Board of Directors an assessment of the suitability of the internal control and risk management system, in the annual report on the audit plan implemented;
- verified, in the context of the audit plan, the reliability of the information systems including the accounting systems;

- implemented the audit interventions envisaged by the audit plan;
- coordinated the Internal Auditing Function’s activities in the companies that qualified within the scope of work of Law No. 262/2005;
- provided operational support in optimizing the framework of controls pursuant to Law No. 262/2005 in the Group companies;
- supported the Supervisory Body pursuant to Legislative Decree No. 231/2001 also in activities involving updates to the Company’s Organizational Model;
- participated as project manager in the project “SoD Remediation and Implementation SAP GRC”;
- conducted a review of the General Computer Controls based on the COBIT 5 reference framework (with the support of an outside entity).

The Head of Internal Auditing has adequate financial resources assigned to this function, which are necessary to ensure that the activities can be carried out independently or with outside support.

### 3.2.3 Manager responsible for preparing the company accounts

During 2015, Mr. Carlo Gainelli, Head of Group Accounting and Administration, was appointed as Manager responsible for preparing the company accounts, and this office was confirmed by the Board of Directors on 22 November 2013, after consultation with the Board of Statutory Auditors, to expire only when the currently acting Board of Directors ceases from office.

In compliance with the provisions of Article 26 of the By-laws, the Manager in charge is an expert in the areas of administration, finance and control, and satisfies the integrity requirements imposed for directors by applicable regulatory provisions. In compliance with the provisions of the Decree of the President of the Council of Ministers of 25 May 2012, he does not hold any office in the governing or audit/supervisory bodies of, or perform executive functions at, Eni S.p.A. or its subsidiaries, nor is he involved in any direct or indirect professional or economic capacity with those companies.

The Manager responsible for preparing the company accounts has adopted suitable administrative and accounting procedures for preparing the financial statements and consolidated financial statements, and any other communications of a financial nature.

The Company’s acts and disclosures to the market, also relating to accounting disclosure (including interim disclosure), must be accompanied by a written declaration by the Manager which certifies that the financial disclosure in question corresponds to the data contained in the company’s accounting books and records.

More specifically the Manager, together with the Chief Executive Officer, certifies the following, by a special report on the annual financial statements, on the consolidated financial statements and on the short-form half-year financial statements:

- that the administrative and accounting procedures followed during the period to which the documents refer, are adequate and have been effectively applied;
- that the documents are drafted in compliance with applicable international accounting standards recognized in the EU pursuant to EC Regulation No. 1606/2002 of 19 July 2002, of the European Parliament and Council;
- that the documents correspond to the data contained in the accounting books and records;
- that the documents truthfully and accurately represent the capital, profit and loss and financial position of the Company and of all of the companies included in the consolidation;
- for the annual financial statements and the consolidated financial statements, that the management report contains a reliable analysis of the business performance and operating result,

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and of the situation of the Company and all of the companies included in the consolidation, as well as a description of the main risks and uncertainties facing same;

- for the short-form half-year financial statements, that the interim management report contains a reliable analysis of the information specified in paragraph 4 of Article 154-ter of the Consolidated Financial Act (TUF).

To facilitate information flows, the Manager may attend Board of Directors' meetings where accounting issues arise.

The Manager prepares periodic reports on the planning of activities required, and on the results of controls carried out, which are made available to the Board of Directors.

The Manager opens a direct and reciprocal information channel with the Board of Statutory Auditors, organizing regular meetings to examine significant administrative issues and to assess the results of the work carried out; he opens a similar channel with the Supervisory Body, sending it periodic reports on the results of the controls carried out where these are of relevance to the Supervisory Body's specific remit.

### 3.2.4 Organizational Model pursuant to Legislative Decree No. 231/2001, and the Supervisory Body

Fincantieri has adopted its own organizational, management and control Model pursuant to Legislative Decree No. 231/2001, the most recent version of which was approved by the Board of Directors on 27 January 2016 and which consists of a "general part" describing the principles, functions and essential elements of the Organizational Model, and of "special parts" which identify - for the individual offence types considered relevant - the activities that are subject to offence risk, the principles and standards of conduct and the control procedures applicable.

The Organizational Model is available on the Company's website at [www.fincantieri.com](http://www.fincantieri.com) in the Section entitled "*Sustainability - Business Ethics - Model 231*".

In accordance with the Organizational Model, the Company's Supervisory Body is established in the form of a multimember body that can ensure adequate independence, professional expertise and continuity of action. The Supervisory Body consists of:

- two members (including the Chairperson) chosen from outside the Company among persons with proven experience, independence and professional expertise;
- one member from inside the Company, who acts as the Manager of the corporate function most involved in the legally regulated activities (Internal Auditing Function).

The Supervisory Body is appointed by the Board of Directors and remains in office for three years. The Supervisory Body operates under "*Rules governing the Supervisory Body's activities*" which are independently adopted by that body and submitted to the Board of Directors for its records. These Rules establish the procedures to be followed by the Supervisory Body in drawing up an annual expense budget which is duly approved together with the annual budget.

The following are the main activities within the Supervisory Body's remit:

- monitoring the effectiveness of the Organizational Model, i.e., verifying that the conduct of its recipients is consistent with the Model;
- reviewing the adequacy of the Organizational Model, i.e., its actual (and not merely formal) effectiveness in general in preventing undesirable conduct;
- analysing whether the Organizational Model continues to be workable and reliable over time;
- dynamically updating the Organizational Model as necessary, if the analyses carried out call for corrections or adaptations. This last activity generally occurs in two separate but mutually dependent phases:
  - submission of suggested amendments of the Model to the bodies/functions that are positioned to concretely implement them within the Company;

- follow-ups, i.e., verifying the implementation and effective operation of the solutions proposed;
- monitoring the effectiveness of the internal procedures and of the rules of Corporate Governance;
- examining any reports of the audit/supervisory bodies or originating from any employee, and arranging any checks or verifications considered necessary.

Furthermore, the Supervisory Body may assist the relevant corporate functions by promoting initiatives to raise awareness of the Organizational Model and by highlighting the necessity for sanctions to be imposed if the Model and/or the Code of Conduct are infringed.

In carrying out its responsibilities and tasks, the Supervisory Body enjoys free access to all of the Company's departments and functions and it may require the latter to furnish (on a regular basis and/or as requested) any information and data which it needs to enable it to implement those responsibilities and tasks.

Verifications are conducted with the active support of the Internal Auditing Function and also, for specific areas, other corporate functions as well as external consultants.

The Supervisory Body receives reports of alleged infringements of the Code of Conduct and of the Organizational Model from members of the corporate bodies, from Departmental Managers and also from employees, external collaborators, suppliers and clients - also anonymously. The Supervisory Body decides whether or not to conduct a more in-depth examination or whether to dismiss and archive the report, and its decision should be justified.

At the end of each year, the Supervisory Body drafts a report on its activities, which it sends to the Board of Directors and to the Board of Statutory Auditors.

The Organizational Model, which is available on the aforementioned website, contains more detailed information on the requisites, tasks and responsibilities of the Supervisory Body.

The Supervisory Body - confirmed in its appointment by the Board of Directors on 28 January 2015 for the three-year period 2015-2017 - has the following members:

- Guido Zanardi (external Member and Chairperson);
- Giorgio Pani (external Member);
- Stefano Dentilli (Head of Internal Auditing).

During 2015 and in early 2016, the Supervisory Body:

- continued to promote the maintenance and updating of the Organizational Model. The results of the Company's assessment of the Model 231 risk profile were shared, and the risks were notified to the various process owners, then the new draft Model was examined, which was sent to the Company's top managers as procedurally required in advance of approval by the Board of Directors, held on 27 January 2016;
- through the Internal Auditing Function, supported the Human Resources management department in activities preparatory to the training project on Legislative Decree No. 231/2001, which will be activated in 2016. Furthermore, the members of the Supervisory Body continued their direct involvement as presenters in relation to the classroom training for recently recruited graduates and middle managers;
- examined and discussed the new criminal offences specified in Decree No. 231/2001, particularly self-laundering offences and environmental offences;
- listened, during all of the meetings, to the Risk Prevention and Protection Services Coordination manager (Safety and Environment) and to the Italian Litigation Function manager within the Legal Affairs Directorate, in order to be speedily updated - each within one's own remit - on the course of the verification activities, on any inspections of production facilities and on any actual or potential legal implications related to Legislative Decree No. 231/2001;

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- met with the Board of Statutory Auditors, the Control and Risk Committee, the Independent Auditor and a number of heads of entities and corporate directorates, including the head of the Military Vessels Directorate and the head of the Human Resources Directorate;
  - periodically assessed the quarterly “reports” issued by the company functions and, based upon the results thereof, carried out specific in-depth analyses and/or issued cautions for non-compliance with company procedures - where any of these were considered necessary;
  - maintained a specific focus on occupational safety, monitoring trends in occupational accidents and incidents by means of dedicated reports, or else supporting the relevant corporate function in situ, during safety audits conducted at the production sites;
  - corporate functions were asked to provide more in-depth information during the year, and information and recommendations were given in relation to a number of sensitive issues;
  - examined all of the reports received through the dedicated channels; after assessing these carefully, the more important ones were investigated in greater detail by means of activities that were specially requested and conducted by the Internal Auditing Function;
  - approved its own annual report at the meeting held on 29 January 2016.

### 3.2.5 Independent Auditors

As required by law, the independent statutory audit is entrusted to an external audit firm, appointed by the ordinary Shareholders' Meeting, based on a reasoned proposal of the Board of Statutory Auditors.

By resolution of 28 February 2014, the Company's Shareholders' Meeting approved the appointment of PricewaterhouseCoopers S.p.A. as the Independent Auditor (whose remit extends to checking that proper accounts are kept and that the Company's operating events are correctly recorded in the accounting records) for the year ending 31 December 2013, and for the years ending between 31 December 2014 and 31 December 2021.

On 5 May 2014, the Company's Board of Directors extended the mandate to the Independent Auditors PricewaterhouseCoopers S.p.A., in order to include within that mandate the “limited” audit of the short-form half-year financial statements (pursuant to Article 154-ter, paragraph 2, of the Consolidated Financial Act (TUF) and 81 of the Issuers Regulation), and also an assessment of the Report on Corporate Governance and Ownership Structure (pursuant to Article 123-bis, paragraph 4, of the Consolidated Financial Act (TUF)).



## 4. Regulation on related party transactions and other Corporate Governance documents

### 4.1 REGULATION ON RELATED PARTY TRANSACTIONS

In compliance with Article 2391-*bis* of the Italian Civil Code and with the CONSOB rules on related party transactions, the Company's Board of Directors' meeting of 5 May 2014 adopted the "Regulation on related party transactions" (the "**RPT Regulation**"), which identify the principles followed by Fincantieri in ensuring the transparency and substantive and procedural propriety of related party transactions engaged in by the Company, directly or through its subsidiaries.

On 3 December 2015, the Company also adopted the "*Management of Related Party Transactions*" procedure ("**Procedure**") with a view to describing and defining the process, terms and operating procedures for properly managing related party transactions, defining the responsibilities of the various company organizational units involved in these transactions engaged in by Fincantieri directly or through its subsidiaries pursuant to the RPT Regulation.

The RPT Regulation – the full version of which is available on the Company's website at [www.fincantieri.com](http://www.fincantieri.com), in the Section entitled "*Corporate Governance – Short Explanation of the System*" – makes a distinction between:

- (i) "Most Significant Transactions", i.e., related party transactions which exceed the thresholds described in Articles 6.1 and 6.2 of the RPT Regulation; and
- (ii) "Less Significant Transaction", i.e., related party transactions that do not reach the thresholds referred to at (i) above.

The provisions of the RPT Regulation apply to the aforementioned transactions, save where they fall within one of the exclusions envisaged by the CONSOB Regulation on Related Party Transactions or within the exemptions envisaged by the RPT Regulation, relating to the following: transactions of modest value, payment plans based upon financial instruments approved by the Shareholders' Meeting, resolutions on the payment of directors assigned specific duties (and of other managers assigned strategic responsibilities) which are consistent with the Company's existing remunerations policy, ordinary transactions concluded at market or standard conditions, transactions with or between subsidiaries and with affiliate companies, and urgent transactions.

#### **Less Significant Transactions**

Pursuant to the RPT Regulation, delegated bodies ("**Delegated Bodies**") are responsible for approving Less Significant Transactions based on a specific mandate as Delegated Body granted by the Board of Directors in relation to the Less Significant Transaction in question. Where no Delegated Bodies exist, responsibility for approving them rests with the Company's Board of Directors.

Less Significant Transactions are approved subject to the prior non-binding opinion of a Committee set up within the Board of Directors (the "**RPT Committee**"), which consists of non-executive Directors the majority of whom are independent.

The Delegated Bodies that have approved Less Significant Transactions provide full disclosure to the Board of Directors and the Board of Statutory Auditors about the implementation of those transactions, at least on a quarterly basis.

The minutes of resolutions approving Less Significant Transactions must contain an adequate justification of the Company's interest in the transaction and of the suitability and substantive fairness of the associated conditions.

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If the RPT Committee has issued a negative opinion on one or more Less Significant Transactions, the Company (within fifteen days of the end of each financial quarter) will grant public access to a document that specifies the counterparty, the subject matter and the consideration for all of the Less Significant Transactions approved in the relevant quarter despite the existence of this negative opinion, as well as the reasons for not sharing that opinion. The RPT Committee's opinion is made available to the public by that deadline, in the form of an attachment to the information document or on the Company's website.

### **Most Significant Transactions**

Pursuant to the RPT Regulation, the Board of Directors has exclusive responsibility for deciding upon Most Significant Transactions, and it passes the relevant resolution following an in-depth examination of the transactions and of their specific features. This examination should be supported by documentation that adequately justifies the transactions and also the suitability and substantive fairness of the conditions under which those transactions were entered into.

The Board of Directors resolves upon the Most Significant Transactions after having received the prior favourable opinion of the RPT Committee (duly justified), which consists exclusively of non-executive and independent Directors.

The company representative or the person that initiated the negotiations or, as relevant, the Board of Directors (through its Chairperson or any one of the members) promptly notifies the RPT Committee of the commencement and progress of the negotiations. The RPT Committee or one or more members delegated by it ("Member(s) Delegated to Negotiations"), participate in the negotiation phase and in the preliminary investigative phase related to the Most Significant Transactions by receiving full information flows in good time, and it is authorised to request information and submit observations to the Delegated Bodies and to the individuals appointed to manage the negotiations or the preliminary investigative phase.

The delegated body of the Company responsible for implementing individual Most Significant Transactions fully informs the Board of Directors, the Board of Statutory Auditors and the RPT Committee about the implementation of those transactions, at least every quarter.

The minutes of resolutions approving the Most Significant Transactions must contain an adequate justification of the Company's interest in the transaction and of the suitability and substantive fairness of the associated conditions.

The Board of Directors may approve the Most Significant Transactions despite the contrary opinion of the RPT Committee, on condition that the Shareholders' Meeting authorises the finalisation of those Related Party Transactions pursuant to Article 2364, paragraph 1, No. 5) of the Italian Civil Code. Pursuant to the provisions of Article 11, paragraph 3, of the CONSOB Regulation (the "whitewash mechanism"), this authorisation resolution of the Shareholders' Meeting is considered approved if: (a) the quorums for valid meetings and for valid resolutions which the Company's By-laws require have been reached and (b) where the non-related shareholders attending the Shareholders' Meeting represent at least 10% of the share capital with voting rights, the majority of the non-related voting shareholders does not vote against the transaction (on this point, see also the above paragraph 2.1.1.)<sup>23</sup>.

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23. The same quorum applies also to transactions within the remit of the Shareholders' Meeting, in cases associated with company crises.

The text of the RPT Regulation may be consulted on the aforementioned website if further information is needed on the following matters (among other things): (i) the definition of “related party” and “related party transaction”; (ii) exemptions from the application of the RPT Regulation; (iii) the RPT Committee and equivalent safeguards; (iv) procedures in cases where the Shareholders’ Meeting has competence or authority; (v) procedures for transactions which the Company engages in through subsidiaries; (vi) disclosure obligations associated with the conclusion of Most Significant and Less Significant Transactions; and (vii) adoption of so-called “framework resolutions”.

## 4.2 INSIDE INFORMATION

On 11 June 2014, the Company’s Board of Directors, in accordance with the provisions of Article 1.C.1, letter j) of the Corporate Governance Code, approved the “*Procedure for management and disclosure to market of corporate information*”. This procedure defines the procedures and terms by which Fincantieri internally manages and publicly discloses corporate information relating to the Company and its subsidiaries, having specifically taken into account the following: (i) the obligation to disclose Inside Information to the market, (ii) the obligation to restore parity of information in the event that inside information is disclosed to third parties not bound by confidentiality obligations arising from laws, regulations, by-laws or contracts, and (iii) the need to guarantee that all corporate information including non-insider information is managed prudently and efficiently, and in confidence.

In general, the Chief Executive Officer is responsible for the internal management of confidential information - i.e. information of a confidential nature related to the Company and its subsidiaries which does not - or does not yet - have the characteristics of inside information.

In order to ensure the confidentiality of such information, all members of the Company’s governing bodies, managers and employees are subject to a general obligation of confidentiality, and they are forbidden from disclosing outside of the Company any information and documents acquired in the course of their duties. More particularly, all these corporate bodies or persons must: (i) maintain the utmost confidentiality of information obtained during the course of their working activities and, in particular, of inside information and confidential information; (ii) diligently keep and file any confidential documentation acquired in the course of their duties, so that only authorised persons are ensured access thereto; (iii) take all precautions necessary to ensure that information is circulated internally without prejudicing the confidential nature of the information, also in compliance with personal data protection regulations; (iv) ensure that the information is communicated in conformity with the procedure and in compliance with the principles of integrity, transparency, truthfulness and protection of the integrity of the information.

There should be immediate public disclosure of Inside Information directly involving the Company and its subsidiaries, in accordance with the following principles: clarity, balance of information, consistency and prompt disclosure.

Further information on this procedure is contained in the full version of the document available on the Company’s website [www.fincantieri.com](http://www.fincantieri.com), in the Section “*Corporate Governance – Internal Control and Risk Management System – Short Explanation of the System*”.

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The Company has also adopted a procedure for keeping and updating an “Insiders Register” and an “Inside Dealing Procedure”. Full versions of both documents are available on the Company’s website at [www.fincantieri.com](http://www.fincantieri.com), in the different Sections “*Corporate Governance – Internal Control and Risk Management System -Short Explanation of the System*” and “*Corporate Governance -Inside Dealing*”<sup>24</sup>.

### 4.3 CODE OF CONDUCT

All Company and Group activities are conducted in compliance with law, with International Conventions (e.g., the OECD Anti-Bribery Convention of 1997) and while strictly upholding the human rights guarantees enshrined in the UN Universal Declaration of Human Rights.

Fincantieri operates in accordance with the principles of fair competition, honesty, integrity, fairness and good faith, respecting the legitimate interests of Shareholders, employees, clients, commercial and financial partners and also of the general public and local communities where the Company conducts its operations.

Specifically, Fincantieri promotes Corporate Social Responsibility i.e. a strong emphasis on integrating social and environmental concerns within its strategic vision, and it publicly discloses - in its periodic reports - any initiatives taken in this area.

All persons working for Fincantieri, without exception or distinction, are committed to observing and ensuring the observance of these principles as part of their own functions and responsibilities. The Company has adopted a Code of Conduct for the aforementioned reasons and purposes, and all company personnel must absolutely comply with its provisions if the Group’s trustworthiness, positive reputation and effective operations are to be maintained - factors that represent a key asset to the Company’s future success.

As well as observing their general duties of fairness, loyalty, honesty and the specific duty to implement their employment contract in good faith, Fincantieri’s employees must refrain from engaging in activities in competition with the Group’s activities, and they must comply with the Company’s rules and observe the provisions of the Code of Conduct. Relations between employees at whatever level must be characterised by principles of transparency, fairness, loyalty and mutual respect.

Directors and all those operating in the Company must familiarise themselves with the Code of Conduct, actively contribute to its implementation and report any deficiencies in or non-compliance with this Code.

The Board of Directors and the Company’s managers are responsible for verifying the implementation and application of the Code of Conduct, and they may also sponsor proposals to supplement or amend its provisions.

The Code of Conduct may be consulted in full on the Company’s website [www.fincantieri.com](http://www.fincantieri.com), in the Section “*Sustainability – Business Ethics – Code of Conduct*”.

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<sup>24</sup>. Note that the documents described in this paragraph could be amended or adapted during 2016, based on the effective entry into force of EU Regulation No. 596/2014, EU Directive 2014/57 and the associated incorporating provisions, on market abuse.

## 4.4 ANTI-CORRUPTION LAWS

Given the extensive geographic reach of Fincantieri's operations, the Company has adopted various internal rules aimed at identifying and applying a global anti-corruption policy that seeks to reflect, in the conduct of its business, the highest international standards applicable in the area of anti-corruption legislation.

The first such set of rules is the "anti-corruption policy" ("**Policy**") adopted by the Company on 3 March 2014. The key objective of this Policy together with its associated procedures is to underline the Company's and the Group's commitment to combating corruption in all its forms as well as their commitment to zero tolerance in this area, by continually reinforcing the level of integrity and transparency of conduct within the company that can enhance its reputation in the areas in which it operates.

By this Policy, more specifically, Fincantieri prohibits all corrupt or corruptive practices: illegitimate favours, collusive conduct, requests (made directly or through third parties) for personal or career benefits for oneself or others.

In the first place, it is forbidden to procure, promise or offer items of value to any person, including officials of the Public Administration, in order to inappropriately obtain or maintain contracts or business deals, or in order to procure for oneself an undue advantage in the conduct of one's business. It is forbidden, in particular, to make payments in order to obtain new contracts or to maintain old contracts in existence, or to speed up the processing of official documentation (e.g. customs services or environmental certification) or to unduly influence any person.

Secondly, it is forbidden to accept payments or items of value in the context of conduct that is contrary to the principles stated in the Policy, in the Code of Conduct and in applicable documents and laws.

Thirdly, as Fincantieri could be held liable in certain circumstances for the corrupt conduct of third parties such as agents, intermediaries, consultants and business partners, it is careful to collaborate only with well-reputed commercial partners. Hence the Company screens all potential commercial partners in order to ascertain and verify that applicable ethical requirements are duly observed.

Fourthly, it is necessary for Fincantieri and the Group companies to keep accurate accounting books and records: all operations and transactions should be reflected in the accounts properly and in reasonable detail.

The Group's commitment to combating corruption is enshrined in the Code of Conduct and reflected in a series of corporate documents which seek to safeguard against corruption ("anti-corruption documents") in the operational and geographical areas in which the Group conducts its business.

This regulatory regime, which is continually evolving and is flexible enough to be supplemented at a later stage, covers the following at-risk areas which are regulated by specific documentation: (i) Management of Relations with the Public Administration; (ii) Agency, Brokerage and Services Provision Agreements; (iii) Donations, Sponsorships, Gifts and Hospitality; (iv) External Collaborations and (v) Conflicts of Interest.

The Company has also adopted a procedure since 2009 for "*Reporting Infringements to the Supervisory Body*" ("whistle-blowing"), which enables employees and third parties to report issues of non-compliance with the provisions of the Code of Conduct or of the Organizational Model, or breaches of the Company's corporate procedures.

Further information on this last procedure and on all of the regulatory provisions combating corruption which are in place inside the Company may be obtained in the Section "*Sustainability - Business Ethics*" on the Company's website at [www.fincantieri.com](http://www.fincantieri.com).

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## 5. Relations with shareholders and stakeholders

In line with the recommendations contained in the Corporate Governance Code, the Company - from date of listing of its shares on the Italian stock market (MTA) - has initiated an ongoing dialogue with Shareholders, institutional investors and other stakeholders in order to ensure that they receive full and prompt information about its activities.

The Company, to this end, has adopted a corporate structure that is suitable for and dedicated to managing relationships with Shareholders and the market (Investor Relations Function).

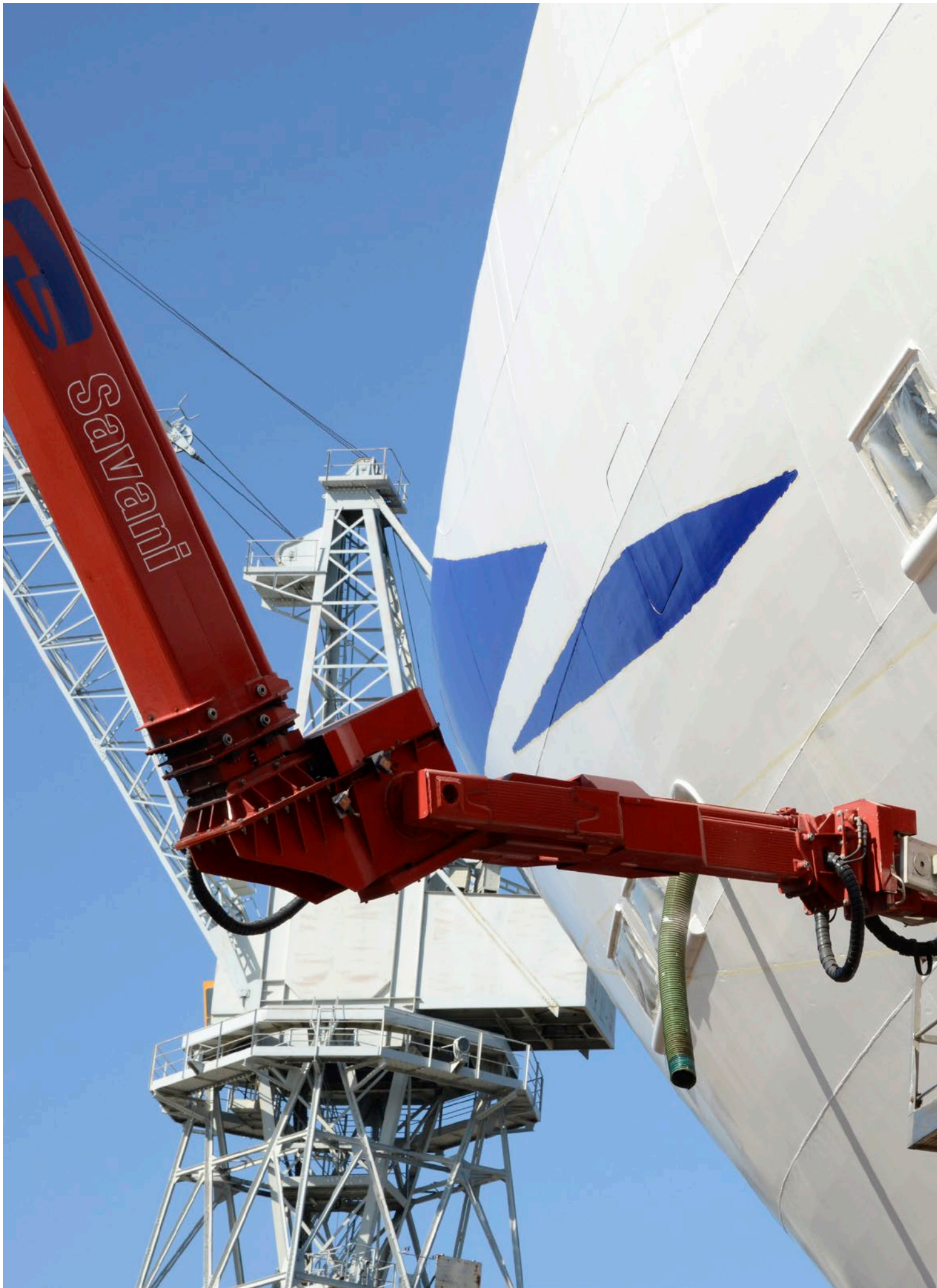
In order to facilitate ongoing dialogue with Shareholders and stakeholders, the Company has set up (and maintains updated) two special sections on its website entitled “*Investor Relations*” and “*Corporate Governance*”, where all information of most relevance to the market may be found.

More particularly, the “*Investor Relations*” Section includes the key financial data and documents relating to the Company (e.g. financial statements, half-yearly and quarterly reports, financial calendar, presentations to the financial community, stock performance data, financial press releases).

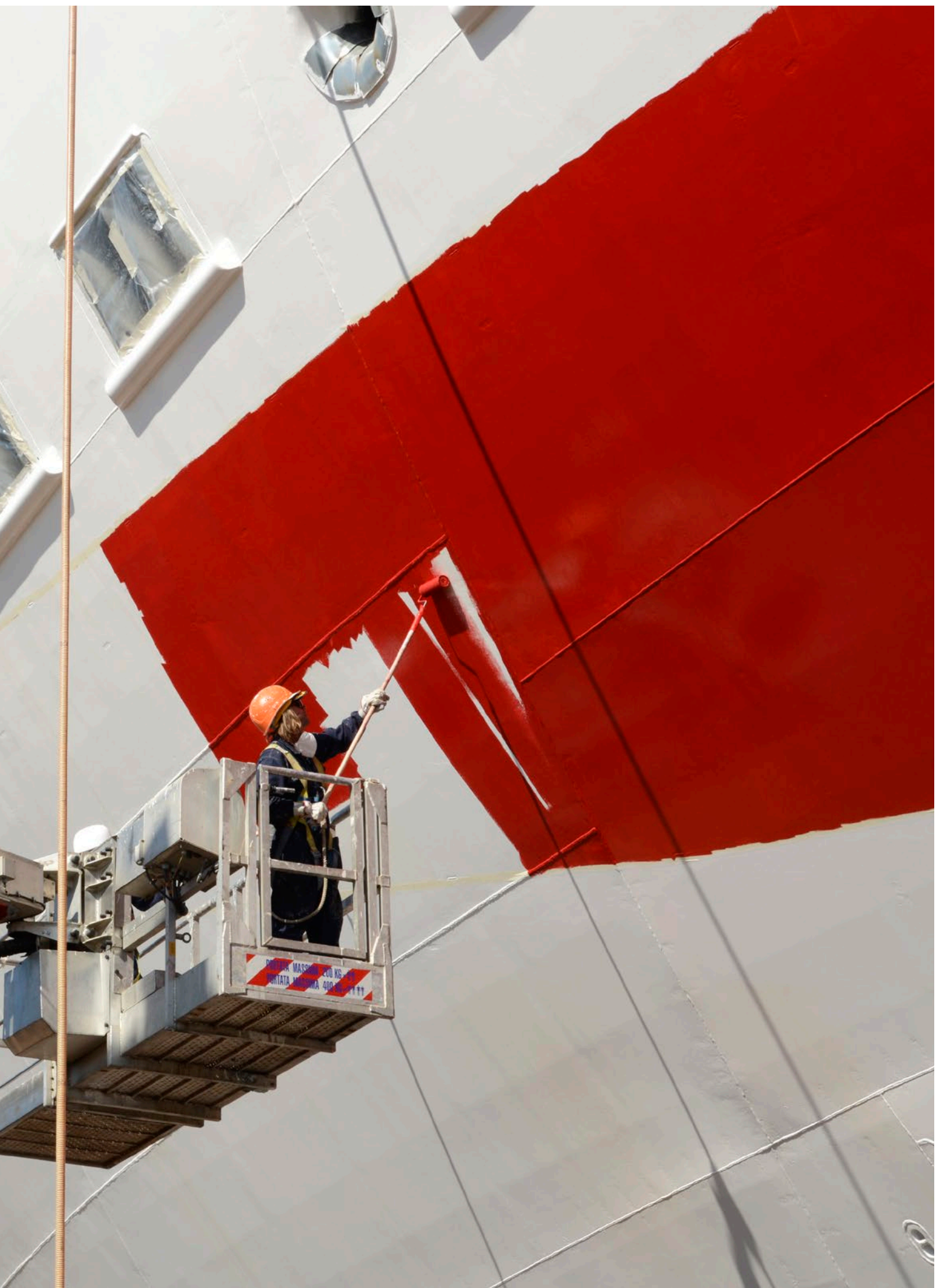
Periodic statements or reports and significant events and transactions are disclosed by means of press releases, meetings and conference calls with institutional investors and financial analysts, and are speedily disseminated to the public also by website publication.

The “*Corporate Governance*” Section, on the other hand, includes documents and information related to the Company’s corporate governance system, e.g. the Company’s By-laws, information on the composition of corporate bodies, the payment of Directors, Auditors and Managers with Strategic Responsibilities, and also information on the Internal Control and Risk Management System and on the Inside Dealing procedure. The Company has created a special area for Shareholders’ Meetings inside this Section. All documents of relevance to the upcoming Shareholders’ Meeting will be published in this area, which will also provide additional information to assist Shareholders when participating in the Meeting.









## Curricula Vitae of members of the Board of Directors

### Vincenzo Petrone

**Year of birth:** 1946

**Place of birth:** San Severe (FG)

**Role:** Chairperson of the Board of Directors since June 2013

A graduate of Political Science and Economics.

**Assignments:** member of the Board of Directors of the Italy-China Foundation and the Steering Committee of the IAI (Institute of International Affairs) and member of the Board of Assonime (Italian Joint Stock Companies Association).

**Career:** in 1971 he completed successfully for a post in the diplomatic service and worked at the Ministry of Foreign Affairs until 1973, when he was assigned to the Permanent Mission of Italy to the United Nations in New York. There, he managed the economic division and was the Italian Vice-representative in the Economic Commission of the United Nations General Assembly and the Italian representative on the Board of Directors of the United Nations development agencies (UNDP, UNICEF, UNIDO, Committee on Transnational Corporations). In 1976, he was Head of the Commercial Department of the Italian Embassy in New Delhi, with responsibility also for promoting Italian defence systems. In 1979, he worked at the Italian Embassy in Bonn as Head of Home Affairs, also with responsibility for Italian community issues in Germany. In 1982, he was involved in the General Directorate for Political Affairs and handled NATO issues at the Ministry of Foreign Affairs; in 1984 he was appointed Head of the European and the United States Office of the General Directorate for Economic Affairs, as well as head of international cooperation for the Defence Industry and of Promotion of Defence Systems in Western markets. In 1986, he was Head of the Economic Division of the Italian Permanent Representation to the UN in New York, in 1991 Mission Deputy Chief at the Italian Embassy in Buenos Aires, and in 1994 Head of the Crisis Unit at the Ministry of Foreign Affairs. From 1998 to 2000, he was Director General for Development Cooperation in Italy. From 2000 to 2004, he was Italian Ambassador in Brazil as well as Chairperson of the Group of Italian Industrial Representatives in Brazil. From 2004 to 2008, he was Head of International Relations of Confindustria (the Italian employers' federation) and Advisor to the Chairperson of Confindustria. From 2008 to 2012, he was the Italian Ambassador in Tokyo and Co-Chairperson of the Italy-Japan Business Group. From 2012 to 2013, he was a member of the Board of the EDFI (European Development Finance Institutions) and until February 2014, Chairperson of Simest S.p.A.

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## Giuseppe Bono

**Year of birth:** 1944

**Place of birth:** Pizzoni (VV)

**Role:** Executive Officer since April 2002

Graduated in 1970 in Business Studies from the University of Messina, with a thesis on “Budgets and Long-term Plans in a large Company”. In 2006, he was awarded an honorary (*honoris causa*) degree in Naval Engineering by the University of Genoa.

**Assignments:** Since 2013 he has been the Chairperson of Confindustria Friuli Venezia Giulia and since 2015 a Member of General Council of Confindustria. Since 2013 he has been Chairperson of Vard Group AS and Chairperson of Vard Holdings. In 2014 he was appointed *Cavaliere del Lavoro*. From 2014 to 2016 he was Director of the Italian Strategic Fund and from 2012 to 2014 he was the Chairperson of Confindustria Gorizia. From 2000 to 2002 he was Chief Executive Officer of Finmeccanica, and before that, from 1997, General Manager and acting head of the companies belonging to the Alenia Difesa and Ansaldo Group.

**Career:** after joining Finmeccanica in 1993, he held top managerial positions until 1997, guiding the reorganization of the former EFIM defence companies and, as CFO, helping to define and implement the restructuring and reorganization plan of the group’s divisions, involving a re-aggregation of businesses into homogeneous operating companies, in line with the international growth strategy. At Finmeccanica, he directed the expansion of the Company, consolidating the group’s business and financial position through a major capital increase and a significant reorganization of debts, strengthening the Group’s strategic and organizational activities and focusing on core business, involving the spin-off of its main activities, the divestment of non-strategic assets and the creation of international alliances and joint ventures in the defence and helicopters sectors (including the joint venture in defence electronics with GEC-Marconi, later BAE Systems, to create Alenia Marconi Systems (AMS), the merger with MEI—Microelettronica Italiana, an Italian company investee of the Ministry of the Treasury and IRI, which owned 22% of ST Microelectronics, the joint venture with GKN in the helicopter sector to create Agusta Westland, and the joint venture with EADS and BAE Systems in the missiles sector to create MBDA. In those years he succeeded in making Finmeccanica the leading Italian industrial group in the high tech sector and one of the top global players in defence, aerospace and security. In June 2000 he achieved an important result in Italy’s public divestments, reducing the state-owned share in Finmeccanica from 83% to 34% through a privatization process. He was General Manager of EFIM between 1991 and 1993, and was involved - just one year before its subsequent liquidation - in preserving the subsidiaries and related assets and finalising a strategic agreement with Finmeccanica in the Defence and Transport sectors. From 1987 to 1991, he was the Chief Executive Officer of Aviofer, personally handling the reorganization process of Agusta (now Agusta Westland) and laying the groundwork for the subsequent revival of the Italian helicopter company. In 1981, he was appointed General Manager of Sopal, the food holding company of EFIM, where he first oversaw the restructuring of the subsidiaries and later set up and completed the privatization of the entire group. Previously, from 1971, he was the Head of Consolidated Financial Statements and Co-Director for the Control of Programs and Management of EFIM, and participated also in the Commission set up by the Ministry of State Holdings to set up the accounting principles of its subsidiaries. Earlier still he worked for Omeca (Officine Meccaniche Calabria), a company jointly owned by Fiat and Finmeccanica and acquired by EFIM in 1968, which he joined in 1963 as accountant. He also taught “Management Control Systems (Planning and Control)” at LUISS - the Free International University of Social Studies in Rome, where he held the chair. He is registered in the Senior Auditors Register (RUC).

## Simone Anichini

**Year of birth:** 1961  
**Place of birth:** Florence  
**Role:** Director since May 2014

A graduate of Business Studies.

**Assignments:** since 2010, he has been the Chief Executive Officer of the Sandro Fratini group with responsibility for coordinating the Chief Executive Officers of the operating companies Rifle Jeans, Why the Best Hotels and Belvedere Angelico, of which he has been Chief Executive Officer since 2013, and companies operating in the biogas sector. Since 2010, he has served as the Chief Executive Officer of CO.FI.GI. S.p.A. He is also Chairperson of the Board of Directors of ABR-Società Agricola A r.l., Agrisolar 2 Società agricola A r.l., Colline Senesi - Società Agricola S.r.l., Società agricola Bio Energia S.r.l. and the Sole Director of Venezia Uno S.r.l.

**Career:** he began his professional career in 1985 in the company Vicano Firenze S.p.A. as Assistant to the Administrative Director until 1988. From 1988 to 1989, he was Chief Executive Officer of the All.Co. S.p.A. Group, and was then appointed Head of Administration and Control of the Italian and Foreign Trade Areas of Marchesi Antinori S.r.l., a position which he held for one year. Subsequently, from 1990 to 1993, he was Finance and Control Director of the All.Co. S.p.A. Group and assistant to the Chairperson with responsibility for Group strategies. From 1993 to 1998, he was Head of Administration, Finance, Control and IT systems of MALO. From 1998 to 2004, he was Chief Executive Officer at Fingen S.p.A with responsibility for Administration, Finance and Control of the Holding Company Cotton Belt, Calvin Klein, Guess and Immobiliare Frattini. From 2004 until 2009, he was Chief Executive Officer and assistant to the Chairperson of Nautor Holding—Firenze / Gosport (GB) / Petersaari (Finland) with financial responsibilities for all the Group companies: Nautor's Swan, Camper & Nicholsons and Marina Management. He was also Chairperson and Chief Executive Officer of the latter and Chairperson of Marina Yacht Service S.r.l.; he was Chairperson and Chief Executive Officer of Marina di Viareggio S.p.A. and of PROMOMAR S.p.A; he was Chief Executive Officer of Laboratori del Mare S.r.l. and Deputy-Chairperson of SEAM S.p.A. Società Esercizio Aeroporto Maremma.

## Massimiliano Cesare

**Year of birth:** 1967  
**Place of birth:** Naples  
**Role:** Director since May 2014

A graduate of Law.

**Career:** during his professional career he has acquired extensive experience in acquisitions of companies and stakes, leveraged buy-outs, acquisition finance and structured finance, mergers and joint ventures, and incorporate reorganization and debt restructuring operations as well as extraordinary transactions in the real estate sector. He also has extensive experience in managing and administering corporate and real estate assets subject to seizure and/or preventive measures. In this context, he administered the corporate and real estate assets which were seized from the Cesarano criminal family, and collaborated with the organized crime investigative group of Naples in implementing such measures. He was also a trustee member of Boards of Directors, receiver of corporate and financial assets on behalf of the Court of Naples and the Public Prosecutor's Office as well as legal trustee of the bankruptcy and corporate section of the Court of Naples. He has worked on behalf of the Government with the Garofoli Commission, set up to draw up proposals (of a financial nature and otherwise) to fight organized crime. As economic and legal Advisor of

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the President of the Council of Ministers of the “Letta” Government, he represented the Presidency in relations with the undersecretary and the economic ministries, acquiring direct experience in the process of drafting legislative and administrative provisions.

He has also contributed to government decisions on privatizing a number of large state-owned companies in Italy, also managing industrial crises at Alitalia and Ilva, in one of the competent ministries.

He is currently President of Banca Mezzogiorno – Mediocredito Centrale.

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### Andrea Mangoni

**Year of birth:** 1963

**Place of birth:** Terni

**Role:** Director between June 2013 and November 2015, General Manager between 13 March 2015 and 8 November 2015.

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A graduate of Business Studies in 1988.

**Main professional experience:** SORGENIA S.p.A. - Chairperson and Chief Executive Officer since July 2013.

The company, which has a generation capacity of approximately 3,500 MW, has been involved since last August in a complex programme of financial restructuring (the company debt at that time totalled Euro 1,800 million) and operating turnaround, which also involved its subsidiary Tirreno Power, representing additional generation capacity of approximately 3,400 MW (with an additional debt of Euro 1 billion).

TELECOM ITALIA S.p.A. – he was General Manager, head of operations in Brazil and Argentina from August 2012 to April 2013 when he left the Telecom Italia Group.

From April 2012 to March 2013, he was also Chief Executive Officer of Tim Brasil, the second largest mobile telephony operator in Brazil, with around 62 million customers.

From October 2009 to September 2012, he was Group Chief Executive Officer of Telecom Italia. In this period, his main activities pertained to: 1) reducing the Group’s indebtedness and managing it on the bond market, 2) planning and control of the Group’s costs and investments, with the aim of safeguarding cash flow, 3) management of extraordinary transactions, with particular reference to growth transactions in Argentina (with acquisition of control over Telecom Argentina, the country’s leading mobile and fixed telephony operator, in which he is still a Board member) and Brazil (with the acquisition of infrastructures necessary to strengthen the mobile network, and management of the capital increases necessary to fund them on the Brazilian and international market).

From July 2009 to June 2010, he was Chairperson and Chief Executive Officer of Sparkle, the company responsible for wholesale management of the international traffic and network of Telecom Italia, with a footprint that covers Europe, Asia, the United States and Latin America. In this capacity, he oversaw the restructuring and re-launch of the company.

ACEA S.p.A. - from November 2003 to March 2009, he was Chief Executive Officer, after having been appointed General Manager in March 2003.

In the same period, he was Chief Executive Officer of Acea Electrabel, the partnership between Acea and Gaz de France that was, at the time, one of the main national operations in the generation, trading and sale of electricity.

From June 2001 to December 2003, he was Group Chief Executive Officer, and from January 2000 until May 2001 he was Head of Strategic Planning, a responsibility which later merged within the remit of the Chief Executive Officer.



From 1996 until 1999, as executive in the Finance Directorate, he was, first, head of extraordinary finance transactions (coordinating, among other things, the operating activities necessary for the corporate reorganization and listing on the stock exchange) and, later, of planning and control activities.

Prior to that, he worked for the InterAmerican Development Bank (World Bank Group), handling projects to restructure and regulate the Brazilian and Argentinian markets.

**Other assignments:**

Since June 2013, he has been a member of the Board of Directors of Fincantieri S.p.A. and Prelios S.p.A. As such, he coordinates the Committee of independent directors, which oversees the project to strengthen the company's assets, post financial restructuring, and the related contacts with CONSOB.

Since July 2009, he has been a Board member of Amber Capital.

Between July 2009 and October 2014, he was an independent member of the Management Board and of the Investment Committee of Marguerite Sgr, which manages the infrastructural fund of the European Investment Bank, one of whose main sponsors is Cassa Depositi e Prestiti.

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**Anna Molinotti**

**Anno di nascita:** 1958

**Place of birth:** Imola (BO)

**Role:** Director from June 2013 until 21 March 2016

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A graduate of Business Studies.

**Assignments:** she is currently Associate Director of Fintecna S.p.A. She has also been a member of the Board of Directors of Fintecna S.p.A. since 2013, and of Fondo Italiano di Investimento Sgr since 2010. Since 2009 she has been the Chairperson of Galaxy SICAR Sarl, a Galaxy Fund investment company and sole director of CDP GAS S.r.l. since 2011. Finally, since 2010 she has been a member of the advisory board of Fondo Immobiliare di Lombardia, and since 2009 a member of the Investment Committee of the F2i infrastructural investment fund and of the Fund for investment in public-private partnership initiatives PPP Italia.

**Career:** she has been Head of Equity Investment and Head of M&A and Ordinary Management of Equity Investment of Cassa Depositi e Prestiti S.p.A., a member of the Advisory Committee to West Private Equity Fund (UK), of the Investment Committee of the Euromed Fund, of the Advisory Board of Fondo Centro Impresa, of Fondo Nord Ovest Impresa and of Fondo Mezzogiorno. She has also acted as member of the Board of Directors of Farbanca S.p.A., Sole Director of Eptaventure S.p.A., Director of LDV Holding B.V., Director of NHS Investments S.A. member of the Board of Directors of Imaging S.p.A. and Esaote S.p.A., Mecaer S.p.A., Cattleya S.p.A. and Data Service S.p.A. Previously, she was Head of Management and Administration of Equity Investment and Investments at IMI Investimenti S.p.A., Head of Investment Monitoring at Sanpaolo IMI Private Equity S.p.A., and Head of Investments and Administration at Fincardine S.p.A, after previous experience in M&A with the CAER banking group and in Credit and Large Customers with CARISBO and Credito Romagnolo.

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## Leone Pattofatto

**Year of birth:** 1968  
**Place of birth:** Genoa  
**Role:** Director since May 2014

A graduate from Bocconi University in Milan in Economic and Social Sciences in 1991.

**Assignments:** since 2013, he has been a member of the Board of Directors of the consulting company SINLOC S.p.A. and of SACE S.p.A and since 2014 of Fintecna and CDP Immobiliare. Since 2013, he has been a member of the Supervisory Body of the European Energy Efficiency Fund(Luxembourg) and member of the Advisory Board of FIA, a residential property investment fund. He has been Chief Executive Officer of CDP RETI since August 2015.

**Career:** he began his career in 1990 in the Research Department of Manufacturers Hanover. In 1991, he joined Morgan Stanley (London) where he remained until 2005, initially dealing with M&A and Restructuring, and then in 1999 became COO of M&A Europa, a position he held until 2001 when he began working in the Italian Investment Banking department. In 2005, he joined Credit Suisse as Head of the M&A Italy division, where he remained until 2013, overseeing some of the country's largest extraordinary financial transactions for the bank's key clients. In 2013, he joined Cassa Depositi e Prestiti, where he currently acts as Head of Equity Investments.

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## Paola Santarelli

**Year of birth:** 1959  
**Place of birth:** Rome  
**Role:** Director since May 2014

A graduate of Business Studies in 1982.

**Assignments:** Since 2007, she has been a Member of the Steering Committee of the charitable organization (ONLUS) "Associazione Internazionale Messaggeri della Pace", and since 2008 an individual supporter of the charitable organization (ONLUS) "Anima per il Sociale nei valori d'Impresa".

She is currently also Chairperson of the Foundation Dino and Ernesta Santarelli (ONLUS). She is the director of the company Casale del Giglio Azienda Agricola S.r.l. and of Fondazione Musica per Roma.

**Career:** She began her career in the real estate sector setting up numerous head offices of multinationals in Italy, including IBM S.p.A., Michelin Italiana S.p.A., Capgemini S.p.A., the administrative offices of Telecom Italia S.p.A., Telesoft S.p.A., Telespazio S.p.A., Gruppo Buffetti S.p.A., the Ministry of the Economy and Revenue Agency and numerous buildings in Rome. She also concluded a large number of real estate transactions, mainly for residential use, jointly with the groups of Francesco Gaetano Caltagirone, Toti and Edoardo Caltagirone and the Metropolitan Centre of Rome with the Bonifati group.

From 2005 to 2011, she was Member of the Board of Directors and member of the Control and Risk Committee of UniCredit Medio Credito Centrale S.p.A.

From 2006 to 2012, she was a Board member and Chief Executive Officer of Quadrante S.p.A and from 2008 to 2012 was Board member of Imprebanca S.p.A.

From 2012 to March 2014, she was Board member of the company Speciale Palaexpo.

She was also sole director of CO.GE.SAN. S.p.A, Fortuna Urbis S.r.l and Ara Pacis S.r.l.

She also holds shares in MV Yachting S.r.l. and until 2012 indirectly held a minority share in Quadrante S.p.A. She has received various business awards for entrepreneurial excellence and on 2 June 2010 the President of the Italian Republic awarded her the honorary title of *Cavaliere del Lavoro*.



Paolo Scudieri

**Year of birth:** 1960  
**Place of birth:** Ottaviano (NA)  
**Role:** Director since May 2014

A graduate of Industrial Engineering.

**Assignments:** he has been a member of the National Council of Confindustria and of the select committee for internationalization. He is also Head of the Masters Automotive Program sponsored by the University of Naples Federico II, a member of Unicredit's local Committee and adviser of Acl-Csal (Italian Automobile Sports Committee). Since 2005 he has been sole director of Tecnofibre, OR.A and Adler Group Holding S.r.l., and of Sistema Campania system S.c.a.r.l. from 2011 (dormant company). He has been Chairperson and Chief Executive Officer of Challenger Form Italia since 2011, in 2012 he was Chairperson of the Board of Directors of Adler Group S.p.A and Adler EVO S.r.l., and since 2014 of Tecno Tessile Adler S.r.l. and Anfia Automotive. He is also adirector of Dattilo - Distretto Alta Tecnologia Trasporti e Logistica S.c.a.r.l. (dormant company) and Deputy Chairperson of the Export Management course of University Suor Orsola Benincasa. Since May 2014 he has sat on the Board of Directors of Banco di Napoli and is Chairperson of S.R.M., the Bank of Naples Study Centre.

**Career:** in 1982, he joined the family firm, the Adler group, which he leads today as Chief Executive Officer. In 2007, he was nominated Cavaliere del Lavoro for the industrial sector. In 2009, he launched the Abarth Tales fashion brand. In 2011 he was nominated by the NIAF (National Italian American Foundation), as best Italian-American entrepreneur and won the Ferrari Podium in the Italian Excellence section, which the car manufacturer awards to its suppliers. He also received the UK-Italy Business Award 2012, which is awarded by the British government for Italian excellence across the channel, and in 2013 he was given the Premio Leonardo Qualità Italia award. He has received various international awards including the Premio Internazionale Qualitas, Gazzelle Poland, General Motors Award, Medici Prize for Innovation and Development and the AmCham Prize. He was also Deputy Chairperson of the Industrial Union of Naples, with internationalization responsibilities.



## Curricula Vitae of members of the Board of Statutory Auditors

### Gianluca Ferrero

**Year of birth:** 1963  
**Place of birth:** Turin  
**Role:** Chairperson of the Board of Statutory Auditors since May 2014

A graduate of Business Studies in 1988, he is a chartered accountant.

Since 1995, he has been on the Roll of Statutory Auditors and is also a Technical Consultant at the Court of Turin.

**Assignments:** He is Chairperson of the Board of Statutory Auditors of TO-DIS S.r.l. and Italia Independent S.p.A., of Luigi Lavazza S.p.A., Praxi Intellectual Property S.p.A., Biotronik Italia S.p.A. and ItaliaIndependent Group S.p.A. also of La Gardenia Beauty S.p.A.

He is also a Statutory Auditor at Fenera Holding S.p.A., Fenera Real Estate S.p.A., Limoni S.p.A., Alberto Lavazza e C. S.a.p.a., Emilio Lavazza e C. S.a.p.a., and at Gabriel Fiduciaria S.r.l. He is also Sole Statutory Auditor at P. Fiduciaria S.r.l. and IBE Fiduciaria S.r.l. (in liquidation).

He has been a general partner at Giovanni Agnelli e C. S.a.p.a. since 2008, and Vice-Chairperson of the Board of Directors of the Banca del Piemonte since 2013.

He is also a Director of S.E.I.—Società Editrice Internazionale S.p.A., of ACB GROUP S.p.A. and of LOL S.r.l.

### Alessandro Michelotti

**Year of birth:** 1960  
**Place of birth:** Pescia (PT)  
**Role:** Standing Auditor since May 2014

A graduate of Business Studies in 1988.

**Assignments:** He is General Partner of C.E.D 3M S.a.S. di Magrini Valter and in 2008 was appointed court-appointed Receiver of Fil Fashion S.r.l. (in liquidation) and of Meg S.r.l. from 2013. He was appointed Alternate Member of the Board of Statutory Auditors of the company Panapesca S.p.A. and Quattropetroli S.p.A. Among the other positions currently held, he is also the Sole Statutory Auditor of Emmegi S.r.l. and liquidator of S.A.M.P. S.r.l. and member of the Board of Statutory Auditors of PE.PAR S.p.A. He is also Chairperson of the Board of Auditors of the Fondazione Cassa di Risparmio of Pistoia and Pescia and he was member of the Board of Statutory Auditors of SCM multidisciplinary consortium entity - Professional Service. During his professional career, he has built up experience in various fields particularly in administrative and accounting procedures and financial and corporate consulting. He has given numerous lectures including as guest lecturer in a number of Technical and Commercial Institutes and contributes as speaker at conferences on financial and tax matters. He is Chairperson of the Studies Commission for the Local Authorities of the Order of Chartered Accountants and Commercial Experts of Pistoia, and since 2013 he has also been a member. Between 2009 and 2012, he acted as Senior Auditor of the Municipality of Colle Val d'Elsa and Chairperson of the Board of Auditors of the Municipality of



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Montecatini Terme, and subsequently re-elected for a second term. He is also Chairperson of the Board of Auditors of the Fondazione Cassa di Risparmio of Pistoia and Pescia. He is member of the Order of Chartered Accountants and Commercial Experts of Pistoia. Lastly, he is the holder of one-third of the share capital of EMMETRE S.r.l. and of 40/240ths of Gold & Co.S.R.O. (Prague).

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### Fioranna Vittoria Negri

**Year of birth:** 1958

**Place of birth:** Acqui Terme (AL)

**Role:** Standing Auditor since May 2014

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She graduated in Business Studies in 1982, and is a chartered accounting and statutory auditor. **Assignments:** She has been the Sole Director of Negri S.r.l. and General Partner of Negri Carlo Legnami s.a.s. since 1986. She is also a partner and Deputy Chairperson of the Board of Directors of PKF Italia S.p.A and of ISMGEO S.r.l. (Experimental Institute For Geotechnical Models). She is the Chairperson and Chief Executive Officer of IFIREVI S.r.l. In over 30 years of auditing, she has obtained experience with different types of companies operating in the fields of commerce, industry, publishing, tourism, service industries, as well as the financial sector and, among these, companies listed on the Milan Stock Exchange and AIM. During this period, she also accumulated expertise in all areas related to the analysis of procedures at different levels. She began her professional career in 1982 at Italaudit S.p.A. (formerly Grant Thornton S.p.A), from 1988 as director and from 1996 as partner. She then joined Fidalta S.p.A., as authorised operating officer until 2006. Since 2007, she has been a signatory partner of P.K.F. Italia S.p.A, a company where she acts as Head of National Technical Management, as manager of professional courses and continuing technical and professional training, as well as Manager of the Quality Control Committee and member of the Risk Management Committee, the PKF Scientific Committee and of the Quality Control Committee of PKF International. She was also a member of the Board of Statutory Auditors of Marni Holding S.r.l. (for the 3 years from 2009 to2011) now Break Holding S.r.l. (in liquidation). She collaborates with the magazine “Il Revisore legale” published by the Sole 24 ore Group and is a member of the Scientific Committee of the magazine. She is a member of several technical study and working groups of Assirevi, and a member of the Steering Committee of Assirevi. She is one of the speaker-lecturers of the training course organized by the school of higher education (SAF) of the order of Chartered Accountants of Milan, on the subject “The professional activities of the Board of Statutory Auditors with statutory audit in SMEs”. She has been a speaker at conferences organized by the Order of Chartered Accountants of Bergamo, Milan and Verona on the subject of SMEs listing and business continuity - “Statutory auditing activities and the supervision of Auditors in corporate crisis situations”.

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### Claudia Mezzabotta

**Year of birth:** 1970

**Place of birth:** Fano (PU)

**Ruolo:** Alternate Auditor since May 2014

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A graduate of Business Administration in 1993.

In 2002, she obtained a Master of Arts in Industrial/Organizational Psychology at New York University.

**Assignments:** She is a member of the Board of Statutory Auditors of listed and non-listed companies operating in the industrial/manufacturing sector and providing non-financial services, in some cases assigned to perform the legal audit, including as Chairperson.

She has been a Statutory Auditor in the Board of Auditors since 2011 of Ottana Polimeri S.r.l. and SABRE Italia S.r.l., from 2013 of IFA S.p.A. and from 2014 of INALCA S.p.A. and of Pentagramma Perugia S.p.A. (CDP Roma Group), as well as Chairperson of the Board of Statutory Auditors since 2011 of Carrara S.p.A., since 2012 of Fultes S.p.A. and, since 2015, of F.I.L.A. - Fabbrica Italiana Lapis e Affini S.p.A., a company listed on the Italian Stock Exchange, STAR segment. Since 2012 she has also been Sole Statutory Auditor of GE Lighting S.r.l. and since 2015 of RES S.r.l. She has also been Alternate Auditor of Amplifon S.p.A., Barclays Family S.p.A., Computer share S.p.A., Gatelab S.r.l., Gommauto Ambrosiana S.p.A. and of Computershare S.p.A. since 2012, and of Prysmian S.p.A. and O.R.M.I.C. S.p.A. since 2013.

Her professional experience as a consultant covers the accounting/budget area and statutory audits, mainly for medium to large sized clients and national and international accounting bodies, as a member of technical working teams on budgetary matters set up by the Italian Accounting Body in Rome and at the European Financial Reporting Advisory Group (EFRAG) in Brussels. She also is involved in numerous training activities in Italian and international training companies and academic institutions and is involved in ongoing editorial collaborations. She is an adjunct lecturer in Financial Accounting at the Università Cattolica del Sacro Cuore in Milan. She has participated in numerous commissions and study groups as well as in academic research. She was Chairperson of the Board of Statutory Auditors of Fiat Industrial S.p.A. in 2013 and member of the Board of Statutory Auditors of Florio Carta S.p.A. until 2012. She also holds one third of the shares of FQR S.r.l.

## Flavia Daunia Minutillo

**Year of birth:** 1971  
**Place of birth:** Milano  
**Role:** Alternate Auditor since May 2014

A graduate of Business Studies in 1995, she is a chartered accountant, certified auditor and qualified professional mediator. She is a founding member of Simonelli Associati.

**Assignments:** Since 1998 she has acted as Statutory Auditor and Chairperson of the Board of Auditors of banks, listed companies, securitization companies, trust companies, finance companies, factoring companies, security brokerage companies, asset management companies, real estate and industrial companies.

Specifically, she has been the Chairperson of the Board of Statutory Auditors of Generali Real Estate SGR since 2015; a Statutory Auditor of E-MID SIM S.p.A. since 2008, of I.M.S. Health S.p.A. and Emittenti Titoli S.p.A. since 2012, of the listed company Molmed S.p.A. since 2013, of Manufactures Dior S.r.l. and of Fondo Strategico Italiano Investimenti S.p.A. since 2014, of Acea Distribuzione S.p.A. and of the listed companies Mondadori S.p.A. and Banca Generali S.p.A. since 2015; she has been Alternate Auditor of the listed companies Mediaset S.p.A. since 2011, Prelios S.p.A. since 2013 and of EI Towers S.p.A. since 2014;

She is a Member of the Supervisory Bodies of Axitea S.p.A. since 2012 and Milanosport S.p.A. since 2013, and of Fondo Strategico Italiano Investimenti S.p.A. and of Banca Generali S.p.A. since 2015.

Over the years, she has received numerous awards, including being elected one of the 50 TOPWOMEN of “Valore D” in 2012, and was included in the collection “1000 top curricula” by the Belisario Foundation and in the “Ready for Board Women” list of PWA under the patronage of the Equal Opportunities Ministry.





Table 1

## Structure of the Board of Directors and of the Committees during 2015

| BOARD OF DIRECTORS  |                     |               |                           |                  |  |                   |                 |          |                       |                            |                           | CRC                  |       |                  | RC                  |        | NC           |        |
|---|---------------------|---------------|---------------------------|------------------|--|-------------------|-----------------|----------|-----------------------|----------------------------|---------------------------|----------------------|-------|------------------|---------------------|--------|--------------|--------|
| Office  | Members             | Year of birth | Date of first appointment | In office since  | In office until                                      | List <sup>1</sup> | Exec            | Non-exec | Indep. Code           | Indep. Financial Act (TUF) | No. of other assignments: | % (*)                | % (*) | % (**)           | % (*)               | % (**) | % (*)        | % (**) |
| Chairperson BoD   | Vincenzo Petrone    | 1946          | 27/06/2013                | 27/06/2013       | Sh. Meeting to approve the 2015 financial statements | -                 | ✓               | -        | -                     | -                          | 3                         | 100                  | -     | -                | -                   | -      | -            | -      |
| Chief Executive Officer   | Giuseppe Bono       | 1944          | 29/04/2002                | 27/06/2013       | Sh. Meeting to approve the 2015 financial statements | -                 | ✓               | -        | -                     | -                          | 4                         | 100                  | -     | -                | -                   | -      | -            | -      |
| Director  | Simone Anichini     | 1961          | 03/07/2014 (***)          | 03/07/2014 (***) | Sh. Meeting to approve the 2015 financial statements | -                 | -               | ✓        | ✓                     | ✓                          | 8                         | 100                  | -     | <sup>2</sup> 100 | P                   | P      | 100          | P      |
| Director  | Massimiliano Cesare | 1967          | 03/07/2014 (***)          | 03/07/2014 (***) | Sh. Meeting to approve the 2015 financial statements | -                 | -               | ✓        | ✓                     | ✓                          | 1                         | 92                   | 100   | P                | -                   | -      | 100          | X      |
| Director  | Paolo Scudieri      | 1960          | 03/07/2014 (***)          | 03/07/2014 (***) | Sh. Meeting to approve the 2015 financial statements | -                 | -               | ✓        | ✓                     | ✓                          | 16                        | 77                   | 100   | X                | 100                 | X      | -            | -      |
| Director  | Paola Santarelli    | 1959          | 03/07/2014 (***)          | 03/07/2014 (***) | Sh. Meeting to approve the 2015 financial statements | -                 | -               | ✓        | -                     | ✓                          | 5                         | 85                   | -     | -                | -                   | -      | -            | -      |
| Director  | Anna Molinotti      | 1958          | 27/06/2013                | 27/06/2013       | Sh. Meeting to approve the 2015 financial statements | -                 | -               | ✓        | -                     | -                          | 8                         | 92                   | -     | -                | 100                 | X      | -            | -      |
| Director  | Leone Pattofatto    | 1968          | 26/05/2014                | 26/5/2014        | Sh. Meeting to approve the 2015 financial statements | -                 | -               | ✓        | -                     | -                          | 5                         | 100                  | 100   | X                | -                   | -      | 100          | X      |
| DIRECTORS CEASED FROM OFFICE DURING REFERENCE YEAR  |                     |               |                           |                  |  |                   |                 |          |                       |                            |                           |                      |       |                  |                     |        |              |        |
| Director  | Andrea Mangoni      | 1963          | 27/06/2013                | 27/06/2013       | 08/11/2015   | -                 | ✓ <sup>25</sup> | -        | ✓ <sup>26</sup>       | ✓                          | 10                        | 77                   | -     | -                | -                   | -      | -            | -      |
| <b>No. of meetings held in 2015</b>   |                     |               |                           |                  |  |                   |                 |          | BoD: 13               |                            |                           | CRC: 3               |       |                  | RC: 10              |        | NC: 4        |        |
| <b>Average duration of meetings</b>   |                     |               |                           |                  |  |                   |                 |          | BoD: 2 hours 30 mins. |                            |                           | CRC: 1 hour 30 mins. |       |                  | RC: 1 hour 10 mins. |        | NC: 50 mins. |        |
| <i>Quorum</i> required for the submission of lists by minorities to elect Directors (pursuant to Article 147-ter of the Consolidated Financial Act (TUF) 1% |                     |               |                           |                  |  |                   |                 |          |                       |                            |                           |                      |       |                  |                     |        |              |        |

CRC: Control and Risk Committee.

RC: Remuneration Committee.

NC: Nomination Committee.

C: Chairperson of the Committee.

✓: Satisfies the requirements.

X: Member of the Committee.

<sup>1</sup> The Board of Directors currently in office was not elected using the slate voting system since the Board was appointed - albeit at different times - prior to the admission to listing of the Company's shares. The Board of Directors will be appointed using the slate system when it is due for reappointment in 2016.

<sup>(\*)</sup> This column specifies Directors' participation rate (as a percentage) in meetings of the Board of Directors and of the Board Committees during 2015.

<sup>(\*\*)</sup> This column specifies the role of the Director inside each Committee; "C" Chairperson; "X" member.

<sup>(\*\*\*)</sup> The Shareholders' Meeting of 28 May 2014 appointed the Directors Simone Anichini, Massimiliano Cesare, Paolo Scudieri and Paola Santarelli, with effect from the commencement of trading of the Company's shares on the Electronic Stock Market (MTA) organized and managed by Borsa Italiana. The Board of Directors therefore had nine members as of 3 July 2014 (start date of trading).

<sup>2</sup> Member of the CRC (Control and Risk Committee) replacing the Director Pattofatto when the Committee examines particularly important related party transactions.

<sup>25</sup> Executive within the meaning of the Code, by virtue of appointment as General Manager between 13 March 2015 and 8 November 2015.

<sup>26</sup> Non-independent between 13 March 2015 and 8 November 2015, by virtue of appointment as General Manager.



Table 2

## Structure of the Board of Statutory Auditors

| BOARD OF STATUTORY AUDITORS IN OFFICE SINCE 28 MAY 2014  |                         |               |                           |   |  |                   |             |  |  |   |                                |
|--|-------------------------|---------------|---------------------------|---|--|-------------------|-------------|--|--|---|--------------------------------|
| Office   | Members                 | Year of birth | Date of first appointment | In office since   | In office until                                      | List <sup>1</sup> | Indep. Code | % participation in meetings of the Bd. of Stat. Auditors (*) | % participation in meetings of the Board of Directors (**) | No. of other assignments in listed Cos. | No. of other assignments (***) |
| Chairperson  | Gianluca Ferrero        | 1963          | 28/05/2014                | 28/05/2014  | Sh. Meeting to approve the 2016 financial statements | -                 | ✓           | 100  | 100  | none                                    | 21                             |
| Standing Auditor   | Alessandro Michelotti   | 1960          | 28/05/2014                | 28/05/2014  | Sh. Meeting to approve the 2016 financial statements | -                 | ✓           | 90   | 92   | none                                    | 4                              |
| Standing Auditor   | Fioranna Vittoria Negri | 1958          | 28/05/2014                | 28/05/2014  | Sh. Meeting to approve the 2016 financial statements | -                 | ✓           | 100  | 100  | none                                    | 5                              |
| Alternate Auditor  | Claudia Mezzabotta      | 1970          | 28/05/2014                | 28/05/2014  | Sh. Meeting to approve the 2016 financial statements | -                 | ✓           |  |  | -                                       | 16                             |
| Alternate Auditor  | Flavia Daunia Minutillo | 1971          | 28/05/2014                | 28/05/2014  | Sh. Meeting to approve the 2016 financial statements | -                 | ✓           |  |  | -                                       | 14                             |
| <b>No. of meetings held in 2015: 11</b>  |                         |               |                           | <b>Average duration of meetings held in 2015: 4 hours</b> |  |                   |             |  |  |   |                                |
| <i>Quorum</i> required for the submission of lists by minorities to elect Auditors (pursuant to Article 148 of the Consolidated Financial Act (TUF) 1% |                         |               |                           |   |  |                   |             |  |  |   |                                |

<sup>1</sup> The Board of Statutory Auditors currently in office was not elected using the slate voting system since it was appointed prior to the admission to listing of the Company's shares. The Board of Statutory Auditors will be appointed using the slate system when it is due for reappointment in 2017.

(\*) This column specifies the Auditors' participation rate (as a percentage) in meetings of the Board of Statutory Auditors during 2015.

(\*\*) This column specifies the Auditors' participation rate (as a percentage) in meetings of the Board of Directors during 2015.

(\*\*\*) This column specifies the number of other assignments relevant for the purposes of Article 148-bis of the Italian Consolidated Financial Act (TUF). CONSOB publishes the full list of assignments on its website pursuant to Article 144-*quinquiesdecies* of the Issuers Regulation.

# FINCANTIERI

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