

**REPORT OF THE  
BOARD OF DIRECTORS  
ON THE CORPORATE GOVERNANCE SYSTEM  
AND ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE  
FOR LISTED COMPANIES  
FOR THE FINANCIAL YEAR 2015**

**(PREPARED PURSUANT TO ARTICLES 123-BIS OF THE CONSOLIDATION ACT ON FINANCE TUF)**

**WWW.ANSALDO-ST.S.COM**

**Approved by the Board of Directors of Ansaldo STS S.p.A.  
on 25 February 2016**

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## GLOSSARY

<b>Ansaldo STS</b>	Ansaldo STS S.p.A.
<b>Code, or Corporate Governance Code</b>	The Corporate Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
<b>Board</b>	The Board of Directors of Ansaldo STS
<b>Financial Year</b>	The financial year 2015
<b>Group</b>	Ansaldo STS and its subsidiaries pursuant to Article 93 of the TUF (TUF)
<b>Rules of the Market Instructions</b>	The Instructions for the Regulation of Markets organised and managed by Borsa Italiana S.p.A.
<b>Rules of the Market</b>	The Rules of the Market organised and managed by Borsa Italiana S.p.A.
<b>Issuers Regulation</b>	The Regulation issued by Consob by Resolution no. 11971 of May 14 1999 relating to issuers, as subsequently amended and integrated
<b>Markets Regulation</b>	The Regulation issued by Consob by Resolution no. 16191 of 29 October 2007 relating to markets, as subsequently amended and integrated
<b>Related-Party Regulation</b>	The Regulation issued by Consob by Resolution no. 17221 of March 12 2010 regarding related-party transactions, as subsequently amended and supplemented
<b>Report</b>	This corporate governance and ownership structure report prepared pursuant to Articles 123- <i>bis</i> of the TUF
<b>Company</b>	Ansaldo STS S.p.A.
<b>TUF</b>	The Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented

## 1. ISSUER'S PROFILE

The organisation of Ansaldo STS, founded on the traditional corporate model, conforms to the provisions on listed issuers and is structured as follows.

### 1.1 COMPANY ORGANISATION

- **GENERAL SHAREHOLDERS' MEETING.** Has the authority to resolve, in ordinary and extraordinary sessions, on the matters reserved to it by the law or by the Company's Articles of Association.
- **BOARD OF DIRECTORS.** Is vested with full powers for the management of the Company, with the authority to take all appropriate actions to achieve the corporate purposes, excluding any actions which are reserved - by the law or by the Articles of Association - to the General Meeting.
- **BOARD OF STATUTORY AUDITORS.** It has the task of supervising:
  - compliance with the law and with the Articles of Association;
  - compliance with the principles of sound management;
  - the adequacy of the corporate organisational structure for matters under its responsibility, of the internal control system and of the administrative and accounting system, ensuring that the latter system accurately represents the operating management;
  - the methods used to implement the corporate governance rules as prescribed by codes of conduct prepared by companies that manage regulated markets or by trade associations, with which the Company declares compliance in the information it discloses to the public;
  - the adequacy of the Company instructions to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF;
  - the financial reporting process;
  - the effectiveness of the internal control, internal audit and risk management systems;
  - the statutory audit of the annual accounts and consolidated accounts;
  - the independence of the statutory auditor or the statutory auditing firm, particularly as concerns the provision of non-auditing services to the Company;
  - compliance of the Company's procedures for related-party transactions with the principles indicated in the Related-Party Regulation, as well as their implementation and reports to the General Meeting pursuant to Article 153 of the TUF.
- **INDEPENDENT STATUTORY AUDITING FIRM.** The accounts are legally audited by a specialised company entered in the register of statutory auditors, appointed for this purpose by the General Meeting, on a justified proposal submitted by the Board of Statutory Auditors. The company entrusted with the statutory audit of the Ansaldo STS is appointed through a similar procedure in almost all of Ansaldo STS' subsidiaries.

### 1.2 COMPANY OBJECTIVES AND MISSION

Ansaldo STS intends to maintain and reinforce its position as a primary international competitor in the industry of railway and underground transport systems. In particular, the Company deals (i) in the sector of design, manufacture, distribution, management and maintenance of systems, subsystems and components for the signalling and supervision of railway and underground traffic ("Signalling"), aimed at increasing the safety and efficiency of railway and underground transport systems, and (ii) in the sector of design, implementation, integration and maintenance of "turnkey" Transport Systems, of which the signalling systems are an essential part.

Ansaldo STS pursues its mission strictly to further its objective of creating value for its Shareholders.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE AT 25 FEBRUARY 2016

### 2.1 STRUCTURE OF THE COMPANY'S SHARE CAPITAL

Amount in Euro of the share capital subscribed and paid in:

- Euro 100,000,000.00 fully paid in

Classes of shares that comprise the Company's share capital:

- 200,000,000 ordinary shares for a value of Euro 0.50 each.

	No. of Shares	% of the share capital	Listed (specify the markets) / not listed	Rights and obligations
Ordinary shares	200,000,000	100	Listed MTA Star	Right to vote at ordinary and extraordinary general meetings, right to dividends and capital refund in case of liquidation
Multiple-voting Shares	-	-	-	-
Limited-voting shares	-	-	-	-
Non-voting shares	-	-	-	-
Other	-	-	-	-

Ansaldo STS has not issued any other classes of shares or financial instruments convertible into or exchangeable with shares.

It should be noted, finally, that the incentive plans adopted by the Company do not involve capital increases being made.

### 2.2 RESTRICTIONS ON TRANSFER OF SECURITIES

No restrictions of any kind apply to the transfer of Ansaldo STS securities at the date of this Report.

### 2.3 SIGNIFICANT INVESTMENTS IN THE CAPITAL

Based on the records in the Shareholders' Register and taking into account the notices received in accordance with Article 120 of the TUF and other information obtained, at the date of the Report, the following shareholders directly or indirectly own Company shares amounting to more than 2% of the Company's share capital:

Declarant	Direct shareholder	% share on ordinary capital	% share on voting capital
HITACHI Ltd.	HITACHI RAIL ITALY INVESTMENTS S.R.L.	40.066%	40.066%
UBS GROUP AG	UBS SWITZERLAND AG	5.327% <sup>(1)</sup>	5.327% <sup>(1)</sup>

Declarant	Direct shareholder	% share on ordinary capital	% share on voting capital
	UBS ASSET MANAGEMENT (AUSTRALIA) LIMITED UBS AG UBS ASSET MANAGEMENT TRUST COMPANY		
AMBER CAPITAL UK LLP	AMBER CAPITAL UK LLP	2.381%	2.381%
SINGER PAUL E. (in his capacity as <i>General Partner</i> of The Liverpool Limited Partnership and Elliott International, L.P.)	THE LIVERPOOL LIMITED PARTNERSHIP ELLIOTT INTERNATIONAL, L.P.	10.022% <sup>(2)</sup>	10.022% <sup>(2)</sup>
Old Mutual plc	ACADIAN ASSET MANAGEMENT LLC	2.970%	2.970%

- 1) Of which 1.533% without voting rights.
- 2) Shareholding made known to the Company on 12 February 2016, pursuant to Article 120 of the Consolidated Finance Law (TUF) and Article 117 of the Issuers Regulation. It must be noted that on 26 January 2016, Mr. Paul E. Singer, who is directly and indirectly general partner of the limited partnership Elliott International, LP Elliott Associates, LP and The Liverpool Limited Partnership, informed the Company, pursuant to Article 120 of the TUF and Article 119 of the Issuers Regulation, of holding 10.063% of the Company's share capital, broken down as follows (i) A shareholding communicated pursuant to Article 117 and Article 118 of the Issuers' Regulations, corresponding to 1.877% of the share capital; (ii) other positions communicated pursuant to Article 119, paragraph 2, of the Issuers Regulation, corresponding to 8.186% of the share capital.

On 24 February 2015, Hitachi Ltd. and Finmeccanica S.p.A. – who were the previous majority shareholders of the Company - announced that they had signed a binding agreement for the acquisition by Hitachi Ltd. of the entire stake held by Finmeccanica in Ansaldo STS S.p.A., amounting to about 40% of its share capital. In furtherance of the agreement, Finmeccanica S.p.A. sold on 2 November 2015, to Hitachi Rail Italy Investments S.r.l. – which is a wholly owned subsidiary of Hitachi Ltd. - the entire equity interest in Ansaldo STS, amounting to 80,131,081 shares in the Company, corresponding to 40.07% of the share capital. As a result of this assignment, Hitachi Ltd. has become the Company's controlling shareholder, pursuant to Article 2359, paragraph 1, number 2) of the Civil Code and Article 93 of the TUF. On 21 December 2015, the Ansaldo STS Board of Directors ascertained that Hitachi Ltd. directed and coordinated Ansaldo STS pursuant to articles 2497 et seq. of the Civil Code.

On 2 November 2015, following the sale of the aforementioned shares, the conditions were met for Hitachi Rail Italy Investments S.r.l. promoting a compulsory totalitarian takeover bid, pursuant to Articles 102 and 106, paragraph 1-bis of the TUF, in respect of all the Company's remaining 119,868,919 ordinary shares, corresponding to 59.93% of the Ansaldo STS share capital (the "*Takeover Bid*").

The documentation concerning the Takeover Bid can be viewed by the public on the Company's website at the page <http://www.ansaldo-sts.com/en/investor-relations/public-tender-offer>.

#### 2.4 SECURITIES THAT GRANT SPECIAL RIGHTS

The Company has not issued any securities that grant special control rights.

## **2.5 EMPLOYEE SHARE OWNERSHIP: PROCEDURE FOR EXERCISING VOTING RIGHTS**

The incentive plans adopted by the Company do not permit voting rights attached to the shares to be exercised by persons other than the plan beneficiaries. For further information on these plans, see the reports drafted pursuant to Article 84-*bis* of the Issuers Regulation, published on the Company's website <http://www.ansaldo-sts.com/en/governance/governance-documents>.

## **2.6 RESTRICTIONS ON THE RIGHT TO VOTE**

At the date of the Report, there are no restrictions or mandatory terms for exercising the right to vote. Nor are there any financial rights associated with securities, which are separate from the possession thereof.

## **2.7 SHAREHOLDERS' AGREEMENTS**

On 24 February 2015, Hitachi Ltd. and Finmeccanica S.p.A. announced that they had signed binding agreements for Hitachi Ltd. acquiring Finmeccanica's entire stake in the Ansaldo STS S.p.A. share capital, amounting to about 40% of the Company's share capital (the "**Agreement**").

This Agreement contained certain provisions that were necessary for implementing the deal, which could theoretically be considered as shareholders' agreements. Therefore, as a precautionary measure, the disclosure obligations provided for by the Article 122 of the TUF were duly fulfilled. On 28 July 2015, and 20 October 2015, Hitachi Ltd. and Finmeccanica S.p.A. executed two contracts amending the aforesaid Agreement, which were disclosed pursuant to Article 122 of the TUF.

After the Agreement's terms conditions precedent occurred, the sale of the Ansaldo STS shares was closed on 2 November 2015.

Therefore, on 7 November 2015, pursuant to Article 122 of TUF and Article 131 of the Issuer Regulation, notice was given that, as a result of the shares having been sold on 2 November 2015 (as required by the Agreement), the above provisions had automatically exhausted their function and, therefore, have fully ceased to have effect between the parties from when the shares had been sold.

For completeness' sake, it must be pointed out that the abstract of the covenant published in accordance with the law and the essential information on the relevant provisions contained in the Agreement and subsequent amendments have, in line with the provisions of the applicable legislation, been made available on the Company's website <http://www.ansaldo-sts.com/en/governance/shareholders-agreement>.

At the date of the Report, there are no agreements concerning the company shares under Article 122 of the TUF known to the Company.

## **2.8 CHANGE OF CONTROL CLAUSES AND PROVISIONS OF THE ARTICLES OF ASSOCIATION RELATING TO IPO (INITIAL PUBLIC OFFERING)**

Ansaldo STS and Finmeccanica Società per Azioni signed a licence agreement for use of the "Ansaldo" trademark on 27 December 2005.

Such agreement attributes to Finmeccanica Società per Azioni right of withdrawal in the event of a change in the shareholding structure of Ansaldo STS that would lead to Finmeccanica Società per Azioni losing control, pursuant to Article 2359 of the Civil Code. The latter, following the sale of its controlling interest in Hitachi Rail Italy Investments S.r.l., has not exercised such right.

Ansaldo STS has, in turn, sub-licensed the "Ansaldo" trademark to its own subsidiaries, reserving the right, in the same way as the provisions in the master licence agreement, to withdraw from the agreement if it loses control, pursuant to Article 2359 of the Civil Code.

Moreover, following the merger by incorporation of Ansaldo Trasporti - Sistemi Ferroviari S.p.A. and Ansaldo Segnalamento Ferroviario S.p.A. into Ansaldo STS, the Company took over all rights and obligations of the merged companies. In particular, Ansaldo STS took over the Concession Agreement for the realisation of Line 6 of the Naples Underground, according to which, in case of merger of the Licensee with other Companies outside the Group, the Licensor shall immediately terminate the concession.



The Articles of Association of Ansaldo STS have no provision derogating from the passivity rule under Article 104, paragraphs 1 and 1-*bis*, of the TUF, nor do they have provisions applying the neutralisation rules under Article 104-*bis*, paragraphs 2 and 3, of the TUF.

## **2.9 DELEGATIONS OF AUTHORITY TO INCREASE THE COMPANY'S SHARE CAPITAL AND AUTHORISATIONS TO PURCHASE TREASURY SHARES**

On the date of this Report no mandate has been given to the Board of Directors to carry out share capital increases pursuant to Article 2443 of the Civil Code.

In relation to the purchase and disposal of treasury shares, please note that on 23 April 2015, the Ordinary General Meeting of Ansaldo STS revoked the resolution authorising the purchase and disposal of treasury shares adopted by the Ordinary General Meeting on 15 April 2014, insofar as not already used, and authorised the Board of Directors: (i) to purchase, on one or several occasions, treasury shares up to the limit set out by the law; (ii) to dispose of such treasury shares, on one or several occasions, in the manner deemed most appropriate in the interest of the Company and in compliance with the applicable provisions. The authorisation to purchase was granted for a duration of 18 months after the meeting resolution, i.e. until 23 October 2016, whereas the authorisation to dispose of treasury shares was granted without any time limit.

At the date of this Report, Ansaldo STS S.p.A. does not own ordinary shares of the Company.

## **2.10 MANAGEMENT AND COORDINATION ACTIVITIES**

Ansaldo STS is subject to management and coordination by Hitachi Ltd. pursuant to Article 2497 of the Civil Code.

## **2.11 INDEMNITY OF DIRECTORS IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF THE RELATIONSHIP FOLLOWING A TAKEOVER BID**

For more information on the directors' compensation and on the effects of termination provided for by the incentive plans adopted by the Company, please see the Remunerations Report, prepared in accordance with article 123-*ter* of the TUF and 84-*quater* of the Issuers Regulation, and made available to the public on the Company website <http://www.ansaldo-sts.com/en/governance/shareholder-meeting/general-meeting-2016> and with the other methods provided for by law.

## **2.12 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

For detailed information on the appointment and replacement of directors, see Part 4, paragraph 4.1.1 of the Report ("*Information on the implementation of the Corporate Governance Code provisions. Board of Directors. Appointment*").

The clauses of the Articles of Associations regulating the amendments to the Articles of Association do not contain any different provisions from the ones set out by the applicable laws.

Furthermore, in accordance with the provisions of Article 2365 of the Civil Code, the Company's Articles of Association entrust the Company Board of Directors with adopting resolutions to ensure their compliance with any legal provisions.

# **3. GOVERNANCE STRUCTURE OF ANSALDO STS**

## **3.1 INTRODUCTION**

By resolution of the Board of Directors meeting held on 19 December 2006, Ansaldo STS endorsed the Corporate Governance Code approved by the Corporate Governance Committee of Borsa Italiana S.p.A. in March 2006.

Subsequently, on 18 December 2012, the Board of Directors of Ansaldo STS resolved to conform to the principles included in the Corporate Governance Code approved by the Corporate Governance Committee in December 2011, and to align its corporate governance system to the new provisions of the Code.

Lastly, in July 2015, the Corporate Governance Committee of the Italian Stock Exchange adopted a new version of the Code of Conduct to which, moreover, the system of Corporate Governance Ansaldo STS already seems to be substantially aligned.

The Code is available on the Borsa Italiana website at the following address: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/code2015.en.pdf>.

The primary purpose of the corporate governance system adopted by the Company is the creation of shareholder value, as the Company is aware of the importance of transparency for the decisions made by the Company and for their formation, and of the necessity to prepare an effective internal control and risk management system. In compliance with the applicable laws, the Report illustrates the "Corporate Governance" system of Ansaldo STS and indicates the procedures for the actual implementation of the Code provisions by the Company.

Neither the Company nor those of its subsidiaries that have strategic importance are subjected to non-Italian laws that influence Ansaldo STS' corporate governance structure.

### **3.2 MAIN GOVERNANCE INSTRUMENTS**

Here below are the main governance instruments that the Company has adopted, also in compliance with the most recent laws and regulations, with the Code provisions and with national and international best practices:

- Article of Association
- Code of Ethics
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01
- General Meeting Rules
- Board of Directors Rules
- Control and Risk Committee Rules
- Nomination and Remuneration Committee Rules
- Related-party transactions - Procedure adopted pursuant to Article 4 of Consob Regulation no. 17221 dated 12 March 2010
- Procedure for the storage and updating of the register of the person with access to reserved information;
- Procedure for the management and communication of reserved information;
- Internal Dealing Code

These documents are available to the public on the Company's website at <http://www.ansaldo-sts.com/en/governance/governance-system>.

## **4. INFORMATION ON IMPLEMENTATION OF THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE**

### **4.1 BOARD OF DIRECTORS**

#### **4.1.1 APPOINTMENT AND REPLACEMENT**

The Company is managed by a Board of Directors consisting of no less than seven and no more than thirteen members. On each occasion, before electing the members, the General Meeting shall define the number of Board members within the aforesaid limits.

Directors are appointed for no more than three financial years and may be re-elected pursuant to Article 2383 of the Civil Code.

The directors are appointed by the Ordinary General Meeting on the basis of list voting. Lists may be submitted by shareholders who, either alone or together with other shareholders, own the shareholding identified in compliance with the provisions of the Consob regulation (for both the financial year 2015 and the financial year 2016, equal to 1% of the Ansaldo STS share capital).

Without prejudice to the other publication obligations under the Issuers Regulation, the lists submitted by the shareholders must be deposited at the Company's registered office and made available to the public in accordance with the terms and procedures set out by the applicable provisions.

In order to prove ownership of the number of shares required to submit the lists, the shareholders shall deposit at the Company's registered office the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable provisions, by virtue of an authorised intermediary giving notice in accordance with current legislation.

Each list shall include two candidates, endowed with the independence requirements set out by the law, indicated separately and one of whom shall appear at the top of the actual list.

In addition, the lists that have a number of candidates equal to or greater than three must include candidates of different gender, as provided for in the notice of call of the Meeting, so as to ensure that the new Board of Directors is composed of members of the less well-represented gender, in accordance with applicable regulations. In case of a fraction, the number shall be rounded up to the higher unit.

Subject to the above provisions, the notice of call for the Ordinary General Meeting convened for 1 October 2015 on first call, and for 2 November 2015 and 1 December 2015 on second and third call - where one of the items on the agenda is the appointment of the Board of Directors - provided that, in the lists for the appointment of the members of the Board of Directors, at least a third of the candidates should belong to the less represented gender and at least one of the candidates belonging to the less well-represented gender should be placed in the first two places in the list.

If the aforesaid requirements are not fulfilled, the list shall be considered as not submitted.

In order to ensure the actual participation of minorities in the Company management, as well as the transparency of the process of selection and appointment of directors, the Company Articles of Association expressly provide that each shareholder is entitled to submit or concur to submit one list only, that each candidate can be presented in one list only. Failure to comply with these requirements shall result in the candidate being declared ineligible. Furthermore, each eligible voter can vote for one list only. Statements shall be filed together with each list, within the terms indicated by the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist, and that they meet the requirements set out by the applicable laws and the Company's Articles of Association for their respective offices.

According to the Company's Articles of Association, in addition to the integrity requirements set forth under the applicable laws and regulations (or any similar requirements according to equivalent provisions of other rules and regulations), to be appointed as directors, candidates must also possess certain professional skills indicated in the Articles of Association.

In particular, candidates cannot be appointed to the office of director of the Company and, if appointed, shall cease from office if they have less than a total of three years' experience in:

- management or control activities or executive duties in corporations endowed with a share capital of no less than two million Euro; or
- professional activities or teaching in universities as a tenured professor of legal, economic, financial

and technical-scientific subjects strictly connected with the Company business; or

- managerial duties in public authorities or public administrations operating in the credit, financial and insurance sectors or, in any case, in sectors strictly connected with the company business.

This experience may be assessed on the basis of the curriculum vitae containing exhaustive information on the personal and professional characteristics of each candidate, to be made available to the public together with each list, pursuant to Article 144-octies, paragraph 1, of the Issuers Regulation. The Board of Directors shall make sure each of its members is in possession of the aforesaid requirements.

The directors shall be appointed as follows: (i) two thirds of the directors to be appointed shall be taken from the list that has obtained the majority of votes expressed by eligible voters (any fraction being rounded-down to the nearest whole number), in the progressive order in which they appear on the same list; (ii) the remaining directors shall be taken from the other lists in accordance with the criteria and procedures indicated in the Articles of Association (see Article 16.3, letter b) of the Articles of Association); (iii) if, following the procedure described above, the minimum number of independent directors required by law has not been appointed, then the criteria and procedures specified in the Articles of Association must be followed (see Article 16.3, letter c) of the Articles of Association); (iv) if the application of the above procedure does not permit compliance with the rules in force relating to gender balance, then the criteria and procedures specified in the Articles of Association must be followed (see Article 16.3, letter *c-bis*) of the Articles of Association).

In the event that only one list or no list is submitted, the Meeting shall adopt a resolution with the majorities required under law, and in any event so as to ensure the presence of the minimum number of independent directors required by applicable rules and to ensure compliance with the rules in force relating to gender balance.

If one or more Directors cease from office during the financial year, and on condition that the majority be always formed of Directors appointed by the Meeting, the provisions of Article 2386 of the Civil Code shall apply, in compliance with the replacement criteria indicated in the Company's Articles of Association (see Articles 16.5, 16.6 and 16.7 of the Articles of Association), and so as to ensure compliance on the regulations in force concerning gender balance.

If the majority of directors appointed by the Meeting cease from office, the entire board shall be considered outgoing and the Directors who are still in office shall convene a General Meeting without delay in order to reform the Board.

The Meeting shall elect the Chairman of the Board of Directors from the Board members; if the Meeting fails to do so, the Chairman shall be elected by the Board itself. The Board may also elect a Deputy Chairman, who shall replace the Chairman in cases of absence or impediment.

Please note that Article 37, paragraph 1, letter d) of the Markets Regulation, provides for stricter criteria for the composition of the Board of Directors of subsidiaries subject to direction and coordination by another company, either Italian or foreign, with shares listed on regulated markets. In particular, pursuant to that provision (i) the majority of the Board of Directors must consist of independent directors and (ii) the internal committees of the Board of Directors established in compliance with the Corporate Governance Code - in the case of this Company, the Control and Risk Committee and the Nomination and Remuneration Committee - must consist of independent directors only.

#### **SUCCESSION PLANNING**

During the years 2013 and 2014, the Nomination and Remuneration Committee – whilst carrying out the appointment conferred by the Board of Directors that was in office at such time – conducted, with the help of the competent company officers and an external consultant specifically appointed for such purpose, inquiries in relation to the Ansaldo STS executive directors' Succession Plan.

At the meeting held on 25 March 2014, the Board of Directors, taking note of the work done by the Committee pursuant to Article 5.C.2 of the Corporate Governance Code, decided, in view of the imminent

expiry of the appointment of said Board and the ensuing reappointment of both the Board and internal Committees (including the Nomination and Remuneration Committee), to postpone the approval of the Plan for Succession of Executive Directors to a later date (i.e. after the reappointment of the new Nomination and Remuneration Committee and the Board of Directors, so to make its own independent evaluation of said Plan).

Following the renewal of the Board and internal Committees in November 2015, Nomination and Remuneration Committee commenced on 15 February 2016 drafting the Company's executive director's succession plan.

#### **4.1.2 CURRENT COMPOSITION**

The current Board of Directors was appointed at the Ordinary General Meeting held on 2 November 2015.

More specifically, it must be pointed out that, on 28 July 2015, Mr. Sergio De Luca (Chairman of the Board), Mr. Domenico Braccialarghe (Deputy Chairman, non-executive director), Mr. Stefano Siragusa (Managing Director), Ms. Barbara Poggiali (independent director), Mr. Bruno Pavesi (independent director) and Ms. Alessandra Genco (non-executive director), tendered, following Finmeccanica S.p.A.'s request, their resignations as directors of the Company. These resignations – which were conditional upon the conditions provided for under the sale agreement executed between Finmeccanica S.p.A. and Hitachi Ltd. on 24 February 2015 being fulfilled or waived - were tendered with effect from the date of appointment of the new Board of Directors. Subsequently, on 30 October 2015, Mr. De Luca resigned with immediate effect.

Following these resignations, the General Meeting held on 2 November 2015 – which had been convened at the request of the shareholder Finmeccanica S.p.A. pursuant to Article 2367 of the Civil Code - elected, after having established that the Directors should be nine, the Company's Board of Directors, who will remain in office until approval of the 2017 financial statements, confirming as Company Directors the outgoing directors Stefano Siragusa, Giovanni Cavallini, Giulio Gallazzi, Bruno Pavesi and Barbara Poggiali, as well as appointing four new Directors, and namely Alistair Dormer, Karen Boswell, Paola Giannotti and Ryoichi Hirayanagi and appointing Alistair Dormer as Chairman of the Board of Directors.

On 3 November 2015, the Board Directors appointed Ryoichi Hirayanagi as Deputy Chairman of the Board of Directors and confirmed Stefano Siragusa as Chief Executive Officer. It must also be pointed out that, since 1 January 2014, Stefano Siragusa has also been the Company's Managing Director. Ms. Barbara Poggiali also resigned on 3 November 2015, with immediate effect and before the meeting of the Board of Directors held on the same date, from her post as member of the Ansaldo STS Board of Directors. Subsequently, on 9 November 2015, the Board of Directors appointed, pursuant to Article 2386 of the Civil Code, Mr. Alessandra Piccinino as a new independent non-executive Director of the Company, thus replacing Ms. Barbara Poggiali.

On 20 November 2015, Mr. Ryoichi Hirayanagi resigned, with immediate effect, from his post of member of the Ansaldo STS S.p.A. Board of Directors. Subsequently, on 25 November 2015, the Board of Directors appointed, pursuant to Article 2386 Civil Code, Mr. Mario Garraffo as the new independent non-executive Director of the Company, replacing Mr. Ryoichi Hirayanagi. On the same date, the Company's Board of Directors also appointed Ms. Karen Boswell as Deputy Chairman of the Board of Directors with a view to replacing Mr. Ryoichi Hirayanagi.

Pursuant to Article 2386 of the Civil Code, the Directors Alessandra Piccinino and Mario Garraffo will remain in office until the next General Shareholders Meeting, which is called to approve the financial statements for the year 2015.

Pursuant to paragraph 4.1.1. above, the majority of the directors of both the Board of Directors and the internal committees set up by the Board of Directors in accordance with the Corporate Governance Code are independent.

As regards the independence requirements referred to above, the Board of Directors verified that (i) the Directors Bruno Pavesi, Giovanni Cavallini, Paola Giannotti, Giulio Gallazzi and Alessandra Piccinino complied on 9 November 2015 with the independence requirements pursuant to Article 148, paragraph 3, of the TUF (which applies to directors as per Article 147-ter, paragraph 4, of the TUF), as well as to Article 37, paragraph 1, letter d) of the Markets Regulation; (ii) as did the Director Mario Garraffo on 25 November 2015. The Board

of Statutory Auditors, in turn, verified the correct application of the criteria adopted by the Board of Directors to assess the independence.

Below are tables showing the variations in the composition of the Board of Directors during the year 2015.

***Composition of the Board of Directors from 2 November 2015 onwards (until the approval of the 2017 financial statement).***

<b>Name</b>	<b>Office</b>
Alistair Dormer	Chairman
Karen Boswell	Deputy Chairman <sup>1</sup>
Stefano Siragusa	Chief Executive Officer and General Manager
Giovanni Cavallini	Independent
Giulio Gallazzi	Independent
Mario Garraffo	Independent <sup>2</sup>
Paola Giannotti	Independent
Bruno Pavesi	Independent
Alessandra Piccinino	Independent <sup>3</sup>

Of these Directors, 2 are executive directors as defined in the Code and 7 are non-executive directors (of whom 6 are independent directors).

***Composition of the Board of Directors from 1 January 2015 to 2 November 2015***

<b>Name</b>	<b>Office</b>
Sergio De Luca	Chairman <sup>1</sup>
Domenico Braccialarghe	Deputy Chairman <sup>2</sup>
Stefano Siragusa	Chief Executive Officer and General Manager
Giovanni Cavallini	Independent
Giulio Gallazzi	Independent

<sup>1</sup> Appointed as the Company's Deputy Chairman on the Board Meeting held on 25 November 2015, replacing Ryoichi Hirayanagi.

<sup>2</sup> Co-opted pursuant to Article 2386 of the Civil Code by the Company's Board of Directors Meeting held on 25 November 2015, in order to replace Dr. Ryoichi Hirayanagi.

<sup>3</sup> Co-opted pursuant to Article 2386 of the Civil Code by the Company's Board of Directors Meeting held on 9 November 2015, in order to replace Mrs. Barbara Poggiali.

Alessandra Genco	Non-executive
Bruno Pavesi	Independent
Barbara Poggiali	Independent
Paola Pierri	Independent

1 On 30 October 2015, Mr. De Luca resigned with immediate effect.

2 Co-opted and appointed as Deputy Chairman by the Board of Directors on 1<sup>st</sup> October 2014, in order to replace Mr. Luigi Calabria. He was confirmed on that role by the Board of Directors held on 5 May 2015, after his appointment as Director by the General Meeting held on 23 April 2015, pursuant to article 2386 of the Civil Code.

Of these Directors, 2 are executive directors as defined in the Code, 7 are non-executive directors (of whom 5 are independent directors).

\* \* \*

Two lists were submitted at the General Meeting held on 2 November 2015 for the election of Directors.

The Directors Barbara Poggiali, Alistair Dormer, Karen Boswell, Stefano Siragusa, Ryoichi Hirayanagi and Bruno Pavesi, were taken from the majority list submitted by Finmeccanica S.p.A., which held a shareholding equal to 40.066% of the Company's share capital, upon Hitachi Ltd. so proposing, based on the provisions of the contract of sale for the Ansaldo STS shares agreed between them on 24 February 2015, as subsequently amended. Such list obtained winning votes amounting to 62.63 % of the voting capital.

The directors Giovanni Cavallini, Paola Giannotti and Giulio Gallazzi were taken from the list jointly presented by the minority shareholders Anima SGR S.p.A., which is manager of the funds: Fondo Anima Geo Italia, Fondo Anima Italia and Fondo Anima Star and Italia Alto Potenziale, Arca SGR S.p.A., which is manager of the funds Arca Azioni Italia, Arca Prev. Comparto Obiettivo TFR, Arca Strategia Globale Crescita and Arca Strategia Globale Opportunità; Eurizon Capital S.G.R. S.p.A. which is manager of the funds: Eurizon Azioni Internazionali, Eurizon Azioni Area Euro, Eurizon Azionario Internazionale Etico, Eurizon Azioni Europa, Eurizon Azioni Italia and Malatesta Azionario Europa and Eurizon Capital SA, which is manager of the funds: Eurizon EasyFund – Equity Italy, Eurizon EasyFund – Equity Italy LTE and Eurizon EasyFund – Equity Europe, together with the shareholders Amber Capital Italia SGR S.p.A., in its capacity of fund manager for Alpha UCITS Sicav/Amber Equity Fund and Amber Capital UK LLP, in its capacity of fund manager for Amber Global Opportunities Master Fund Ltd and Amber Active Investors Limited, which, altogether, held a shareholding equal to 4.77 % of the company's share capital and whose winning votes amounted to 36.98 % of the voting capital.

Information about the personal and professional characteristics of each member of the Board of Directors is reported here below.

#### **ALISTAIR DORMER - CHAIRMAN**

Alistair is Global CEO for the rail sector and is at the helm of the Hitachi group companies, which are active throughout the world in the railway sector. Hitachi is a leading company in the supply of railway systems, with centres in Japan, China, Southeast Asia, the United Kingdom, the European Union and South America.

Before becoming the Global CEO for the rail sector on 1 April 2014, Alistair had already been Chairman and CEO of Hitachi Rail Europe Ltd. Alistair joined Hitachi in 2003 and drove the market entry and business expansion of Hitachi Rail Europe's business activities. Among other things, mention must be made of the success achieved with the contracts for the production of Class 395 and Class 465 trains. More recently, he directed the consortium Agility Trains (which is a consortium formed between Hitachi and John Leng), which was awarded and completed contracts in the framework of the Intercity Express Programme (IEP) ensuring that the Hitachi Rail Europe companies entered the ETCS (European Train Control System) market.

## **KAREN BOSWELL - DEPUTY CHAIRMAN**

Karen is a business woman with a significant experience who guides the Hitachi Rail Europe company, working at the company's headquarters in London. With more than 25 years of experience in the customer-focused areas of the business, Karen is guiding the company in transforming itself into the leading company in the UK train production business, providing services to customers and achieving new sales in Europe. Karen joined Hitachi earlier this year, after a previous experience as CEO of the company East Coast Trains, where, under her leadership, the level of passenger satisfaction increased by eight points in just two years.

In her current role, Karen is responsible for implementing the Intercity Express Programme (*IEP*), which will initiate a new era for the railway sector in the UK, with the production of high-speed trains in the northeast of the country.

Karen's commitment is to put people first, in order to create high performance teams and give customers what they want. Her approach consists in attributing powers to employees in order to free the entrepreneurial spirit of the entire company and infuse it with an innovative spirit, which has the power to improve living conditions. Karen was named "*Woman of the Year*" in 2014 in the context of the "*Women 1st Shine Awards*".

## **STEFANO SIRAGUSA –CHIEF EXECUTIVE OFFICER**

Stefano Siragusa, class 1976, graduated with an Honours Degree in Electrical Engineering from the Politecnico di Milano, with a specialisation in energy construction and the operation of plants, machinery and components. He completed his professional training following an MBA at MIP and an executive master at Harvard Business School.

His professional experience began in 2000 at Siemens AG where he held the position of Product Manager in the German and Italian Automation divisions. In 2002 he joined The Boston Consulting Group - BCG. In BCG, Mr. Siragusa defined value creation strategies and followed the subsequent operational, financial and organisational implementation thereof for major industrial players in the Energy, Aerospace & Defense, Steel, Railways, Shipbuilding and Automotive sectors, located both in Europe and the Asian Pacific (and also in North America where he lived for a long time).

In 2005 he was selected for BCG's talent program.

Back in Italy, in 2011 he was appointed Partner & Managing Director of BCG. He was immediately entrusted with the management of the industrial goods division for the Mediterranean (Italy, Greece and Turkey) division. In 2012 he was also asked to co-ordinate the Aerospace & Defense division for Europe and the Middle East. In 2013, he became a member of the BCG Global Operations leadership Team and moved to New York. In New York he was also entrusted with the responsibility of defining and coordinating globally the content of the BCG Group marketing strategy, in terms of the efficiency of operational activities and, more specifically, *Lean*, Purchases and *supply chain* issues.

In January 2014 he returned to Italy from the US and was appointed Managing Director and CEO of Ansaldo STS S.p.A.

Mr. Siragusa also teaches *Corporate Strategy* and *M & A - Mergers and Acquisitions* at the LUISS Business School and is a member of the Aspen Institute and YPO - Young Presidents' Organization.

## **GIOVANNI CAVALLINI**

Born in Milan on 28 December 1950. Having graduated in Civil Engineering at the Politecnico di Milano (Polytechnic University of Milan) in 1978, he obtained a Master in Business Administration from the Harvard Business School of Boston. He worked with the Boston Consulting Group from 1978 to 1987, where he was Deputy Chairman and Partner for three years.

Founder and Chief Executive Officer of S.I.C. ("*Società Iniziative Commerciali*"), as well as Co-founder and Member of the Board of Directors of S.S.C. ("*Società Sviluppo Commerciale*") until 1994, he was also Chairman of OBI Italia for two years.



From 1996 to 2005 he was Chief Executive Officer of Interpump Group S.p.A., and between 2005 and 2013 he was its Chairman. He is as an independent director of the Board of Directors of Brembo S.p.A. since 2005. From 2009 to July 2015, he was also a member of the Board of Directors of Migros Turk TSA, which is a company listed on the Istanbul Stock Exchange. Since 2011 he has been an independent director of the Board of Directors of Ansaldo STS. In June 2012, he was appointed to the Order of Merit for Labour (*Cavaliere del Lavoro*).

From July 2013 in July 2015 he was president of ISI (Industrial Stars of Italy), which is a SPAC (*Special Purpose Acquisition Company*) listed on the Aim market.

Since July 2015 he has been a director of LU-VE S.p.A., which is a company listed on the Aim market.

#### **GIULIO GALLAZZI**

Born in Bologna on 8 January 1964, he graduated in Economics from the University of Bologna and completed his education by obtaining an MBA from SDA Bocconi of Milan with a High Merit Recognition and performed for a year the activity of ISP Visiting Scholar at the Harvard Business School in Boston.

From 1991 to 1994 he worked as a manager at O.D.I. Int. Inc., which is a multinational company based in the United States working in the field of Management Consulting on organisational issues.

Between 1994 and 2002 he was partner of VV & A (Valdani, Vicari & Associati). He worked from 1999 to 2002 as Managing Director of E. Capital Partners S.p.A. (of which he was co-founder), which is active in the corporate finance and asset management advisory fields (dealing, in particular, with sustainable finance).

Currently, he is serving as Chairman and CEO of SRI Global Group Holding, and of the operating companies SRI Capital Advisers Ltd. and NPV Europe Ltd., which operate in the Real Estate and Corporate Finance Advisory, Management Consulting and public affairs sectors.

He is also Chairman of NPV China Co., which is a company engaged in promoting, supporting and mentoring European businesses in their business development in China and APAC Countries.

He is also a lecturer at some of the most prestigious Italian and European Business Schools, lecturing on sustainable enterprise development and corporate Renewal & restructuring. He is also Visiting Professor at the Pontifical John Paul II Institute on social finance and sustainable development issues.

#### **MARIO GARRAFFO**

Mario Garraffo, who was born on 2 August 1937, graduated in political economics from the University Luigi Bocconi. From 1960 to 1970 he held the position of Controller and Development Director at La Centrale Finanziaria Generale, which is a company active in the public utilities (communications and energy) field. From 1970 to 1980 he served as Investment Director at IFI (currently EXOR), of which he was also Chairman (1985-1993). From 1980 to 1985 he was CEO of IFIL - Finanziaria di Partecipazioni and from 1993 to 1998 he was Chief Executive Officer of Lazard Italy until its acquisition by Vitale Borghesi & Co. in 1998. Commencing from such date, he covered for two years the position of Chief Executive Officer of UNIM – Unione Immobiliare, and was subsequently Chairman of General Electric Italy (2000-2004) and Senior Advisor at General Electric Europe (2004-2007). Between 2005 and 2008 he was also an independent Director of Terna S.p.A. and Pirelli & C. S.p.A. Since 2014 he has been an Independent Director, Member of the Control and Risk Committee, and Chairman of Recordati S.p.A.'s Remuneration Committee. From the beginning of 2015 to the present date he has held the position of independent director and member of the Capital Investment Committee of Quadrivio SGR, as well as Independent Director and member of the Control and Risk Committee and Remuneration Committee of GE Capital Interbanca S.p.A.

Mario Garraffo is a member of the Board of the John Hopkins University in Baltimore and the John Hopkins School for Advanced International Studies (SAIS) in Bologna. From 1995 to 2006 he was Chairman of the Alumni Bocconi University and a member of the Board of Directors of the Javotte Bocconi Women's Foundation.

### **PAOLA GIANNOTTI**

Born on 13 July 1962, she graduated with honours in economics from the Università Commerciale Luigi Bocconi. Between 1986 and 1987 she worked as a financial analyst at Montedison and between 1988 and 1989 at Sviluppo Finanziaria Milano. Between 1987 and 1988 she worked as a business analyst providing strategic consulting services at The Mac Group. From 1989 to 1998 she worked at the Morgan Stanley headquarters in London as a corporate finance analyst and subsequently in New York in the *equity capital markets* sector. From 1998 to 2001 she held, at Citigroup in London, the position of Managing Director responsible for the Italian *investment banking* activities in Italy. From 2001 to 2003, she held at Dresdner Kleinwort Wasserstein (in London) the positions of Managing Director, head of the bank's activities in Italy, member of the European Committee and Managing Director of the European Council of Country Heads, and member of the Board of Directors of Dresdner Kleinwort Wasserstein SGR. From 2003 to 2013 she was Managing Director responsible for the management and development of the portfolio Strategic Accounts at BNP Paribas in Milan. She is also part of the European Committee of Senior Bankers and Italian Executive Committee.

### **BRUNO PAVESI**

Born in Milan on 5 May 1941, he graduated with honours in Business and Economics at the Bocconi Business University, Milan. From 1985 to 1989 he held the position of Chief Executive Officer and General Manager of "Honeywell Information Systems Italia - Milan" operating in the Information Technology field.

From 1989 to 1997 he was Chief Executive Officer and General Manager of Bull S.p.A.. From 1998 to 2006 he was Chief Executive Officer and General Manager of BTICINO S.p.A., Chairman of the LEGRAND S.p.A. and Chairman of the Zucchini Group and EDM.

He is currently Managing Director of the Bocconi Business University and Chairman of MISB - Bocconi Mumbai International School of Business.

He is also a Board Member of the Accademia Teatro alla Scala Foundation.

He has also been Chairman of Assinform, Chairman of Fiera Milano Tech, Member of the ANIE Board, Member of the Board of the Varese Industrial Union and Director of the French Chamber of Commerce.

### **ALESSANDRA PICCININO**

Born in Naples on 31 August 1962, she graduated with honours in Economics from the University of Naples and, after internships at the UN in Geneva, completed her studies with a Master Degree obtained from the College of Europe - Bruges (Belgium), in Advanced European Studies - Specialisation in Economic Studies.

She worked from 1987 to 2010 in the finance division of The Dow Chemical Company, which is a US chemical multinational listed on the NYSE, covering various positions in the Administration and Finance sector in Italy and abroad. Among other things, she held in Dow Chemical the position of Finance Director for Southern Europe and Finance Director of the Global Business Systems Division.

From 2011 to 2013 she was CFO of Axitea S.p.A., which is a leading company in the security services sector in Italy.

Since 2012 she has been a director and Chairman of the Finance Committee and Treasurer of the American School of Milan, which is recognised educational association.

Since April 2015 she has been a Member of the Board of Directors of Mediaset S.p.A., which is a company listed on the Italian Stock Exchange in the MTA sector. She was elected from the minority list submitted by a group of asset management companies and institutional investors. She is also Member of the Mediaset Related Parties Committee.

Since November 2015 she has been a member of the Ansaldo STS S.p.A. Board of Directors, which is company listed on the Italian Stock Exchange in the STAR segment. She is also a member of the Ansaldo Nomination and Remuneration Committee.

#### **4.1.3 ROLE AND DUTIES**

The Board of Directors has exclusive responsibility for the Company's management and takes all necessary actions to achieve the corporate purpose.

The Board of Directors Rules, initially approved on 29 January 2007, and subsequently amended in order to implement the changes deriving from the adoption of the new Procedure for Related-Party transactions, and the modifications as a result of the Corporate Governance Code updated in December 2011, defines the tasks and roles of the managing body. For purposes of precise compliance with the provisions of the aforesaid Regulation, and in line with applicable laws and regulations, the Board of Directors, specifically:

- examines and approves the strategic, industrial and financial plans of the Company and of the Group it directs, and periodically monitors its implementation;
- defines the Company's corporate governance system and the Group's structure;
- defines the nature and level of risk which is compatible with the Company's strategic objectives;
- assesses, on an annual basis, the adequacy of the general organisational, administrative and accounting structure of the Company, of the Group and of the strategically relevant subsidiaries;
- evaluates the general company performance, taking the information received by the delegated bodies into particular consideration and periodically comparing the results achieved with the planned results;
- defines the internal control and risk management system guidelines, in order to correctly identify and measure the main risks affecting the Company and its subsidiaries and to determine the extent to which these risks are compatible with managing the company consistently with its strategic objectives;
- evaluates, on at least an annual basis, whether the internal control and risk management system is adequate considering the company's features, the risk profile it has chosen, and its effectiveness;
- identifies within its members one or more Directors in charge of setting up and maintaining an effective internal control and risk management system (the Director in Charge of the Internal Control and Risk Management System);
- appoints the Control and Risks Committee composed of at least three Directors possessing the independence requirements mandated by the Code;
- on a proposal of the Director responsible for the internal control and risk management system, and favourable opinion of the Control and Risks Committee and after having consulted the Board of Statutory Auditors, the Board of Directors: (i) appoints and revokes the Head of Internal Audit; (ii) ensures that he/she has the necessary resources to perform its duties; (iii) defines his/her remuneration consistently with the company's policies;
- approves, on at least an annual basis, the work plan drafted by the Head of Internal Audit, after having consulted the Board of Statutory Auditors and the Director in Charge of the Internal Control and Risk Management System;
- evaluates, after consulting with the Board of Statutory Auditors, the results presented by the independent statutory auditors in any recommendation letter and in the report detailing key issues arising from the statutory audit;
- ensures that the Director in charge of drafting the company's accounting documents has adequate means and powers to perform his/her duties and that all administrative and accounting procedures are complied with;

- adopts the Organisational Management and Control Model drafted in accordance with Legislative Decree No. 231/2001 and approve any further amendments or updates;
- appoints and revokes the members of the surveillance body in compliance with the Organisational Management and Control model pursuant to Legislative Decree No. 231/2001;
- without prejudice to the matters reserved for the Board of Directors pursuant to Article 2381 of the Civil Code, and to the provisions of the Articles of Association, delegates and revokes powers to the Chief Executive Officer , determining his limits and terms of exercise thereof;
- after having examined the proposals of the Nomination and Remuneration Committee and, having consulted the Board of Statutory Auditors pursuant to Article 2389, third paragraph of the Civil Code, determines the remuneration and regulations applicable to the Chief Executive Officer. If the Shareholders' Meeting fails to do so, determines the allocation of the global remuneration due to the members of the Board;
- approves the transactions of the Company and of its subsidiaries whenever these transactions are strategically, economically or financially relevant for the Company. For this purpose, it determines the general criteria for identifying significantly relevant transactions;
- performs, on at least an annual basis, an assessment on the performance of the Board and of its committees as well as on their dimension and composition, taking into account elements such as the professional skills and experience (including managerial experience and gender) of its members and their seniority in the office;
- provides information, in the corporate management report: (i) on its composition, stating whether each member is executive, non-executive or independent as well as his/her role within the Board, his/her main professional characteristics and the seniority from his/her first appointment; (ii) on the implementation of Article 1 C.1. of the Corporate Governance Code and, in particular, on the number and average duration of the board meetings held during the financial year as well as on the attendance figures of each director; (iii) on the modes of performance of the above evaluation procedure.
- describes, in the report on corporate governance, the main features of the internal control and risk management system, giving an evaluation of its adequacy;
- to ensure the correct management of corporate information, upon the proposal of the Chief Executive Officer or of the Chairman of the Board of Directors, adopts a procedure for the internal management and external communication of documents and information concerning the Company, with specific reference to privileged information.

Without prejudice to the provisions of the law and of the Articles of Association, the Board of Directors at its meeting held on 3 November 2015, reserved the following matters to its own exclusive competence:

- defining the strategic and organisational directions, including the approval of plans, programs and budgets;
- approving investments, whether on tangible or intangible assets, if (i) such investments are not mandatory and (ii) provided that their value is higher than Euro 500,000;
- approving Significant Transactions as identified in the Related Party Transactions Procedure approved by the Company pursuant to the Consob Regulation, adopted by resolution No. 17221 of 12 March 2010;
- acquiring and selling shareholdings and interests in other companies whether existing or to be incorporated, also by exercising or waiving option rights, contributions, usufruct, pledges and any other act of disposal even within the framework of joint ventures or of transactions establishing encumbrances on such interests;
- transferring, contributing, leasing, granting usufruct on and any other act of disposal or transaction establishing encumbrances to other company's assets or part thereof; acquisition, leasing, usufruct of companies' assets or part thereof;

- capital transactions, setting up, transforming, listing in the stock market, merger, demerger, winding-up, entering into shareholders' agreements concerning subsidiaries directly controlled by the Company;
- appointing Directors and Auditors in directly controlled subsidiaries, except for non-executive directors within the Group;
- medium to long term active and passive financial transactions, except for those operations aimed at hedging exchange risks concerning certain orders;
- granting guarantees, including bonds and mortgages (without prejudice to the power of the Chief Executive Officer to grant bonds and counter-guarantees in favour of banks or insurance companies for custom transactions, to participate in tenders, for works to be performed, for the correct performance of supplies by the Company and its subsidiaries in Italy or abroad, within the limits set for those transactions where such guarantees are collateral as well as to issue guarantees and bonds in the interest of subsidiaries up to Euro 150,000,000);
- purchasing, exchanging and selling real estate, as well as any contract concerning real estate with a term longer than nine years;
- submission offers and entering into supply contracts where the value is higher than Euro 150,000,000 (one hundred fifty million) or that otherwise imply serious commitments or risks;
- entering into permanent consulting agreements lasting for more than one year or amounting to more than 150,000 Euro;
- hiring, appointing, promoting and revoking Managers reserved by the law or the Articles of Association to the Board of Directors, as well as the head of the Internal Audit function, which so provides upon Director in charge of the Internal Control and Risk Management System so proposing;
- granting prior authorisation to the subsidiaries to perform transactions that are strategically, economically and financially relevant for the company; these transactions include the presentation of offers and signing of supply contracts by the subsidiaries; (i) with a value higher than Euro 150,000,000 (one hundred fifty million), or (ii) which imply serious commitments or risks ;

During the Financial year 2015, the Board of Directors, *inter alia*:

- approved on 19 January 2015 the 2015-2019 Budget - Plan;
- on 11 February 2015, after consultation with the Control and Risk Committee - (i) acknowledged the updated mapping of risks relating to the Company and its subsidiaries and the measures adopted to manage and/or mitigate such risks, considering these risks to have been properly identified, measured, managed and monitored and to be consistent with a business management that is in line with its strategic objectives; (ii) considered that the Ansaldo STS internal control and risk management system was adequate to the nature and characteristics of the Company and the risk profile thereof; (iii) positively assessed the governance structure adopted by the Company, considering the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries to be satisfactory, with particular reference to the internal control and risk management system; (iv) approved - subject to the opinion of the Control and Risk Committee and having consulted with the Board of Statutory Auditors and the Director responsible for the internal control and risk management system - the audit plan prepared by the Head of the Internal Audit for the three years 2015-2016-2017;
- issued a certificate on 6 March 2015 to the effect that the Company, with reference to the financial year 2014, fulfilled the conditions laid down in Articles 36 and 37 of the Market Regulation. On 25 February 2016, such certificate was issued with reference to 2015;
- verified compliance with the administrative and accounting procedures provided for under Law No. 262/2005;
- verified, on 9 November 2015, on the basis of the documentation submitted by the individual independent directors, and on the basis of the information made available to the Company, that it satisfied the requirements of independence provided for under the legal and regulatory provisions and pursuant to Article 3 of the Code and the Instructions to the Market Regulation (such verification was carried out on 25 November 2015 with reference to Mr. Mario Garraffo, who was co-opted on the same date);

- established, on 21 December 2015, that Hitachi Ltd. supervised and coordinated the Company pursuant to Articles 2497 et seq. of the Civil Code;
- approved on 30 December 2015, the Notice provided for under Article 103, paragraph 3, of the TUF and Article 39 of the Issuers Regulation for the mandatory takeover bid undertaken by Hitachi Rail Investment Italy S.r.l. on the totality of the Ansaldo STS shares;
- rated the overall operating performance (by comparing the results achieved with those planned when approving the quarterly and half-yearly financial reports and the financial statement);
- approved in advance all the subsidiaries' operations of a particular strategic, economic or, patrimonial and/or financial importance.

It must also be noted that the Board of Directors:

- on 15 February 2016 , after having consulted with the Control and Risk Committee and: (i) after having taken note of the updated mapping of the risks concerning the issuer and its subsidiaries, as well as the measures taken for the managing and/or mitigating such risks and in light of the fact that these risks had been properly identified, measured, managed and monitored and were compatible with management of the Company and consistent with its strategic objectives; (ii) assessed that the Ansaldo STS internal control and risk management system was adequate to the meet the nature and characteristics of the Company and the risk profile thereof; ; (iii) positively assessed the corporate governance structure adopted by the Company and considered the organisational, administrative and accounting structure adopted by Ansaldo STS and its subsidiaries to be satisfactory, with particular reference to its internal control and risk management systems; (iv) approved the audit plan prepared by the Head of Internal Audit Department for the year 2016, after having received the opinion of the Control and Risk Committee and after having heard the Board of Statutory Auditors and the Director responsible for the internal control system and risk management.
- on 15 February 2016, verified the Board Member's compliance with the Rules of Procedure with which the Board of Directors had defined the maximum number of posts that could be covered by the Company's Directors;

For more information about the actions of the Board of Directors relating to the internal control and risk management system, see Part 4, paragraph 4.3 ("*Information on the implementation of the provisions of the Corporate Governance Code. Board of Directors. Internal control and risk management system*").

During the financial year, in view of the extraordinary events that affected the Company during the year in respect of Finmeccanica S.p.A.'s sale of its equity interest to Hitachi Ltd. - and in particular the resignation of the majority of the members of the Board of Directors and the subsequent reappointment of the Board of Directors on 2 November 2015 - no specific "*induction*" sessions were organized for the Company's directors.

#### **4.1.4 EXECUTIVE DIRECTORS: CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Board of Directors may delegate some of its tasks to an executive committee or to the Chairman and/or to other members of the board, appointing one or more Chief Executive Officers. As part of the tasks entrusted to them, the delegated bodies may in turn delegate single acts or categories of acts to employees of the Company and to third parties, with the authority to sub-delegate.

At the date of the Report, the Board of Directors had not appointed an executive committee.

#### **Chairman of the Board of Directors**

Except for the case of impediment, the Chairman of the Board of Directors shall call the Board meetings, coordinate the relative activities and chair these meetings, ensuring that the Board Members are suitably and promptly informed, to give the Board adequate knowledge to act on the matters submitted to it.

During the course of the financial year, the office of Chairman of the Board of Directors was held: (i) from 1 January 2015 to 30 October 2015, by Sergio De Luca, who was appointed by the Company's shareholders on 15 April 2014 and who resigned on 30 October 2015, with immediate effect; and (ii) from 2 November 2015 onwards, by Alistair Dormer, who was appointed by the Company's shareholders on the same date.

Mr. Sergio De Luca did not receive any special delegation from the Board and, therefore, did not perform as a result thereof any executive role within the Company. He was, however, regarded as being an executive director, pursuant to the provisions of the Code Corporate Governance, since, from 1 January 2014 onwards, he covered the post of General *Operations* Manager for Finmeccanica S.p.A., which is the company that manages and coordinates Ansaldo STS.

Similarly, Alistair Dormer in his capacity as Chairman of the Board of Directors, did not receive any special delegation from the Board and therefore does not perform an executive role within the Company in that capacity. However, he is deemed to have an executive role pursuant to the provisions of the Corporate Governance Code by virtue of the positions held in the Hitachi Group.

### **Deputy-Chairman of the Board of Directors**

The Deputy Chairman in office, Karen Boswell, who was appointed Director on 2 November 2015 and Deputy Chairman of the Board of Directors on 25 November 2015, has not received any particular delegation from the Board and therefore has no executive role within the Company.

During the year, the position of Deputy Chairman of the Board of Directors was covered: (i) from 1 January 2015 to 2 November 2015, by Domenico Braccialarghe, who resigned on 28 July 2015, with effect from the ordinary Shareholders' General Meeting held on 2 November 2015; and (ii) by Ryoichi Hirayanagi, who was appointed member of the Board of Directors by the shareholders General Meeting on 2 November 2015 and Deputy Chairman of Ansaldo STS by the Board of Directors Meeting held on 3 November 2015. He resigned from the post of Company director on 20 November 2015, with immediate effect. Both Domenico Braccialarghe and Ryoichi Hirayanagi had not received any particular delegation from the Board and therefore had no executive role within the Company.

### **Chief Executive Officer**

Along with the power of legal representation of the Company before all courts of law and administrative authorities and before third parties, the Board of Directors vested, on 15 April 2014 and 3 November 2015 the Chief Executive Officer and General Manager in office - Mr. Stefano Siragusa - with the following powers to be exercised with single signature:

- to direct and manage the corporate business in accordance with the guidelines and directives of the Board of Directors;
- to perform all actions that fall within the Company's ordinary management;
- to implement the resolutions of the Board of Directors, performing all actions of ordinary and extraordinary management decided by the same Board.

The above powers include, *inter alia*, the authority to delegate appropriate signatory powers to managers, to be exercised in the name and on behalf of the company for the performance of the assignments and tasks entrusted to them, and to issue special mandates to Company employees and also to third parties, authorising them to perform certain operations, or categories of operations, on behalf of the company, with the use of the corporate signature.

The above does not prejudice the exclusive competence reserved to the Board of Directors for Significant Transactions, as identified in the Procedure for Related-party transactions approved by the Company pursuant to the Related-Party Regulation.

The Chief Executive Officer reports to the Board of Directors and to the Board of Statutory Auditors at least on a quarterly basis and in any case during meetings of that board. This Report covers the activities carried out, the general company performance and the business outlook, as well as significant economic, financial and equity transactions, or in any case, transactions carried out by the Company and/or by its subsidiaries that are particularly important due to their entity or characteristics; in particular, the Chief Executive Officer shall report on the transactions in which s/he may have an interest, either on his/her own behalf or on behalf of third parties, as well as on any Significant or Less Significant Related-party transactions (as defined in the Procedure for related-party transactions approved by the Company pursuant to the Related-Party regulation). As a rule, information shall be given when the Board of Directors approves the periodical accounting situations (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations). This communication may be made during board meetings or in writing.

In 2015, this information was actually given by the Chief Executive Officer to the Board of Directors and to the Board of Statutory Auditors on a quarterly basis and, as a rule, when the Board of Directors approved the periodical accounting statements (Financial Statements, Half-Yearly Financial Report and Interim Reports on Operations).

Furthermore, at the date of this Report, the Company's Chief Executive Officer, Mr. Stefano Siragusa, being as such the figure principally responsible for the management of the Company, does not hold any office as director of another issuer not belonging to the same group of which a director of Ansaldo STS S.p.A. is the Chief Executive Officer.

#### **4.1.5 NON-EXECUTIVE DIRECTORS**

The Board consists, for the most part, of non-executive members (without operational and/or management delegations within the company) whose number and authority shall ensure that their opinion carries significant weight in the adoption of board decisions.

Non-executive Directors bring their specific expertise to the board discussions, so as to encourage an examination of the issues to be dealt with from different points of view, and a consequent adoption of well-thought out, rational decisions in line with the interests of the company.

At the date of this Report, the Chief Executive Officer and the Chairman are qualified as executive administrators, under criterion 2.C.1. of the Code, for the reasons indicated above, whereas the other members of the Board are all non-executive.

#### **4.1.6 INDEPENDENT DIRECTORS**

The current Board of Directors is composed of 6 independent directors and, more specifically, the Directors Giovanni Cavallini, Giulio Gallazzi, Mario Garraffo, Paola Giannotti, Bruno Pavesi and Alessandra Piccinino.

These directors, when the lists were submitted or when they were appointed by the Board of Directors, undertook, on declaring that they met the independence requirements, to promptly give the Board of Directors notice of any changes to such declaration.

In compliance with the Code provisions, the Board on 9 November 2015 - after the directors were appointed and Mrs. Alessandra Piccinino was co-opted- and on 25 November 2015, when the Director Mario Garraffo was co-opted - in light of the statements provided by each person concerned, or the information otherwise available to the Company assessed the existence of any relations that might be or appear to affect the independent judgement of the independent directors. The results of this assessment were made known to the market through press releases issued on 9 November 2015 and 25 November 2015

The Board of Statutory Auditors - on 13 November 2015 after the directors were appointed and Mrs. Alessandra Piccinino was co-opted, and on 9 December 2015 with reference to the Director Mario Garraffo - based on the statements made by the Directors and taking into account the opinion formed by the Board of Directors, certified that the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its own members had been correctly applied.



During the financial year 2015, and more specifically on 17 November, 1 December and 16 December the independent directors met, in order to issue the opinion referred to in Article 39-bis of the Issuers' Regulations, concerning the compulsory takeover made by Hitachi Rail Italy Investments S.r.l. on all Ansaldo STS shares.

It should be noted that the conditions which, pursuant to the Code, require the establishment of the role of lead independent director are absent, given that the Chairman of the Board of Directors does not act as the figure principally responsible for the management of the Company (Chief Executive Officer) and does not have a controlling interest in the Company.

#### **4.1.7 OTHER OFFICES OF DIRECTOR OR AUDITOR HELD BY THE DIRECTORS OF ANSALDO STS**

On 14 February 2007, the Company's Board of Directors approved an Internal Regulation ("*Guidelines of the Board of Directors on the maximum number of offices that may be held by the directors of Ansaldo STS S.P.A.*") aimed at setting out limits to the number of director or Auditor positions that Ansaldo STS board members could hold.

On 16 December 2013 the Board of Directors, after receiving the favourable opinion of the Nomination and Remuneration Committee, resolved to make the necessary changes to said Internal Regulation in order to align it with the provisions of application criterion 1.C.3 of the Corporate Governance Code.

In particular, the changes introduced will ensure that, in calculating the "weight" of the offices held by the non-executive directors of Ansaldo STS in other companies, account is also taken of increased commitment associated with the possible participation of the aforementioned directors in committees within the Board of Directors of Ansaldo STS.

Moreover, given the rationale of the rules relating to the accumulation of offices, and the various commitments normally expected of directors who are also members of committees established within the administrative bodies of other Listed and/or Non-Listed Companies (as defined below), it has been clarified that in calculating the total "weight" of the offices held by the Directors of Ansaldo STS in other companies, account should be taken also of any possible participation in those committees.

Therefore, pursuant to Internal Regulation in force, Ansaldo STS directors shall accept the office when they consider they will be able to devote the necessary time to diligent fulfilment of their duties, also taking into account the number of positions held in management and control bodies in (i) Italian and foreign companies with shares listed on regulated markets ("**Listed Companies**"); (ii) Italian and foreign companies with shares not listed on regulated markets, which carry out financial, banking or insurance services or that have an annual revenue equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS ("**Non-Listed Companies**").

The positions held by each director of Ansaldo STS in the administrative and/or control bodies of other Listed Companies and/or Non-Listed Companies should have a total "weight" not exceeding 15, also taking into account the possible participation in committees established within the Board of Directors (and/or the administrative bodies of non-traditional systems) in other Listed and/or Non-Listed Companies.

This Internal Regulation to date requires - for the purpose of calculating the maximum number of positions as director or Auditor deemed to be compatible with effective fulfilment of the appointment as Company director - a different assessment of the offices of executive and non-executive director, to take account - for non-executive directors only - also of the offices held by the latter in one or more Committees established within the Board of Directors of Ansaldo STS.

In these calculations, no account is taken of positions held in Listed Companies or Non-Listed Companies that control or are controlled (either directly or indirectly) or invested in by Ansaldo STS.

The Board of Directors of Ansaldo STS has the authority to grant temporary and permanent exceptions, allowing the directors to hold offices in administrative and control bodies of other Listed Companies and Non-Listed Companies which, taken together, exceed the maximum weight of 15.

The Directors shall promptly inform Ansaldo STS of any change in the offices they hold in other Listed Companies and/or Non-Listed Companies, indicating the average monthly commitment these positions require.

As of 15 February 2016, the current composition of the Company's Board of Directors complies with the above general criteria.

The Internal Regulation "*Guidelines of the Board of Directors on the maximum number of offices that may be held by the directors of Ansaldo STS S.P.A.*" is accessible on the Company's web page [http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/policy\\_sul\\_cumulo\\_degli\\_incarichi.pdf](http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/policy_sul_cumulo_degli_incarichi.pdf)

At the date of approval of the Report, please note that only 3 Directors held positions in other listed companies or in financial, banking or insurance companies or large companies, the latter being companies, other than those indicated above, with an annual revenue equal to or exceeding the revenue resulting from the consolidated accounts of Ansaldo STS. The table below indicates the offices held by each director in the aforementioned companies:

Director	Office held	Company
Giovanni Cavallini	Independent Director- Member of the " <i>Control and Risks Committee</i> " and the " <i>Remunerations Committee</i> "	Brembo S.p.a.
Mario Garraffo	Independent Director- Member of the " <i>Control and Risks Committee</i> " and Chairman of the " <i>Remuneration Committee</i> "  Independent Director- Member of the " Control and Risks Committee" and "Remuneration Committee"  Independent Director	Recordati S.p.a.  GE Interbanca S.p.A.  Quadrivio Sgr
Alessandra Piccinino	Independent Director- Member of the " <i>Related-Party Transaction Committee</i> "	Mediaset S.p.A.

#### 4.1.8 DOCUMENTATION AND REPORTING TO THE BOARD OF DIRECTORS

The Chairman of the Board of Directors makes sure that the Board Members are suitably and promptly informed, so the Board has the necessary knowledge of the matters submitted to it for examination. The Chairman makes sure that enough time is spent on the items on the agenda for constructive debate and encourages the directors to actively contribute during the meetings.

Pursuant to the Board of Directors Rules, the supporting documents for the Board meetings shall be sent to each director and each Auditor on the same date that meeting is called, if viable, and in any case within three days before the date fixed for the meeting, except for urgent cases, when the documents shall be made available as soon as possible. Please note that during 2015 financial year, that deadline was normally

respected and the pre-board meeting information was always sent, on average, about three full working days before the meeting.

If the Chairman deems it appropriate in relation to the contents of the item under discussion and of the relative resolution, the informative documents may be directly provided at the meeting, notifying the directors and auditors thereof; however, if they wish, the directors and auditors may access the information available at the company registered office in the days immediately preceding the meeting. This circumstance never arose during the 2015 financial year.

#### **4.1.9 BOARD MEETINGS – FREQUENCY OF THE BOARD OF DIRECTORS MEETINGS**

During the year 2015, the Board of Directors held 18 meetings. All absences were justified.

The table below shows the number of Board of Directors meetings held in 2015, as well as the attendance rate for each director:

##### ***Board of Director in office***

Members	Attendance/No. of Meetings	Attendance %
Alistair Dormer	5/5	100%
Karen Boswell	5/5	100%
Stefano Siragusa	18/18	100%
Giovanni Cavallini	18/18	100%
Giulio Gallazzi	18/18	100%
Mario Garraffo <sup>1</sup>	3/3	100%
Paola Giannotti	5/5	100%
Bruno Pavesi	18/18	100%
Alessandra Piccinino <sup>2</sup>	4/4	100%

<sup>1</sup> Co-opted pursuant to Article 2386 of the Civil Code by the Company's Board of Directors Meeting held on 25 November 2015, in order to replace Mr. Ryoichi Hirayanagi, who had resigned on 20 November 2015. Mr. Hirayanagi was present at 2 meetings out of 2 meetings held until 20 November 2015, with a 100% attendance.

<sup>2</sup> Co-opted pursuant to Article 2386 of the Civil Code by the Company's Board of Directors on 9 November 2015, replacing Mrs. Barbara Poggiali, who had resigned on 3 November 2015 with immediate effect and before the meeting of the Board of Directors held on the same date.

##### ***Directors in charge from 1 January 2015 until 2 November 2015***

Members	No. of Meetings	No. of Meetings attended
Sergio De Luca	12/13	92.3%
Domenico Braccialarghe	10/13	76.9%

Alessandro Genco	13/13	100%
Paola Pierri	12/13	92.3%
Barbara Poggiali	13/13	100%

For 2016, 14 meetings have already been planned. Since early 2016, the Board of Directors have met on 14 January 2016, 15 February 2016 and 25 February 2016.

The average duration of the Company's Board of Directors Meetings during 2015 was about three and a quarter hours.

The Board Meetings were attended, depending on the items indicated on the agenda, by the Company's Chief Financial Officer, the Chief Operating Officer, the Internal Audit Manager, and, upon being invited by the Chairman, other Company Managers, with a view to providing the appropriate information on the agenda items. The Secretary of the Company's Board of Directors also attended all the Board Meetings.

Pursuant to the Articles of Association, the Board of Directors meets whenever the Chairman or his/her substitute deems it necessary, or on written request of the majority of its members.

Any of the Auditors may also call a Board of Directors meeting.

#### **4.1.10 ASSESSMENT OF THE OPERATION OF THE BOARD OF DIRECTORS**

On 15 February 2016, the Board of Directors, with reference to the annual assessment of the functioning, size and composition of the Board of Directors and its Committees, provided for under Criterion 1.C.1, letter g) of the Corporate Governance Code for listed companies, decided not to conduct such assessment in 2015 since the majority of the company Directors, appointed at the Meeting on 2 November 2015, are holding this office for the first time.

#### **4.1.11 REMUNERATION OF DIRECTORS, GENERAL MANAGER AND OF MANAGERS WITH STRATEGIC RESPONSIBILITIES**

The information relative to remuneration of directors, of the general manager and of managers with strategic responsibility is contained in the remuneration report drafted pursuant to articles 123-*ter* of the TUF and 84-*quater* of the Issuers Regulation, available to the public on the Company's website <http://www.ansaldo-sts.com/en/governance/shareholder-meeting/general-meeting-2016> and in other ways required by applicable laws.

On 25 March 2015, the Company's Board of Directors, subject to the approval of the Nomination and Remuneration Committee, approved the Company's remunerations policy for the financial year 2015 and the Ansaldo STS Remuneration Report, prepared pursuant to Article 123-*ter* of the TUF. The first section of this Report, containing a description of the remuneration policy adopted by the Company and of the procedures used to adopt and implement such policy, was then submitted - pursuant to paragraph 6 of Article 123-*ter* - to the non-binding vote of the General Meeting held on 23 April 2015. The Meeting voted favour thereof.

It must also be pointed out that in compliance with the provisions of Article 123-*ter*, paragraph 6 of the TUF, the Ordinary General Meeting to be called to approve the 2015 financial statements will also be called to vote in favour of or against the resolution on the first section of the Remuneration Report, according to the provisions set forth in Article 123-*ter*, paragraph 3 of the TUF, approved by the Board of Directors, upon the Nomination and Remuneration Committee so proposing, explaining the remuneration policy applicable to members of administrative bodies, General Manager and managers with strategic responsibilities for the financial year 2016, as well as the procedures utilised to adopt and implement that policy.

With regard to the remuneration of the directors of Ansaldo STS for the year 2015, see Section Two of the Remuneration Report, available on the Company's website at <http://www.ansaldo-sts.com/en/governance/shareholder-meeting/general-meeting-2016>.

The incentive mechanisms for the Internal Audit Manager and the Manager in Charge of drafting the company's accounting documents are in line with their respective assignments.

## **4.2 COMMITTEES**

The Control and Risk Committee and the Nomination and Remuneration Committee have been established within the Board of Directors and in compliance with the principles and criteria of the Corporate Governance Code to which the Company adheres, in order to make the conduct of the Board's business more efficient and effective.

After the publication of new Corporate Governance Code was approved in December 2011, the Company resolved to adopt the principles contained in such new edition of the Code, conforming its own governance system to the new self-discipline provisions.

On 18 December 2012 the Company resolved, among other things, to: i) set up a nominations committee, merging it with the already established Remuneration Committee and naming the new committee - vested with a dual function - "Nomination and Remuneration Committee", and approving its regulation; ii) amend and redefine the tasks and duties of the various individuals and subjects involved in the Company's internal control and risks management system, by approving the Regulation of the Control and Risk Committee

The decision to bring together into a single committee the functions of the Nomination and the Remuneration Committee, was reached after having taken into account: i) the size of the Board of Directors, ii) the organisational needs thereof, also with a view to boosting the efficiency of its operations and its committees, iii) the close correlation between the tasks that had already been assigned to the Company's Remuneration Committee and those that had been attributed by the Corporate Governance Code to the Nomination and Remuneration Committee. In making its assessment, the Board of Directors also took into account the already suitable composition of the said Committee, in terms of the independence and expertise of its members. It must be pointed out that this choice still allows the objectives set out in the Code for each committee to be achieved and the Nomination and Remuneration Committee to fulfil the requirements of both committees.

### **4.2.1 CONTROL AND RISK COMMITTEE**

The Control and Risk Committee in office consists of three directors, all of whom are non-executive and independent. Its members are the Directors Giovanni Cavallini (Chairman), Paola Giannotti and Bruno Pavesi, appointed by the Board of Directors on 10 November 2015. Pursuant to the Code, in appointing the Committee members, the Board of Directors examined the accounting and financial experience of the Committee Chairman, and of its members.

Please note that, between 1 January 2015 and 2 November 2015, the Control and Risk Committee was composed as follows: Giovanni Cavallini (Chairman), Paola Pierri and Barbara Poggiali.

The Committee activities are governed by its own Rules, most recently amended by the Board meeting of 18 December 2012, in compliance with the provisions of the Corporate Governance Code, as amended in December 2011.

The updated version of the Rules is available on the Company website at [http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/7\\_regolamento\\_comitato\\_controllo\\_e\\_rischi\\_en\\_1.pdf](http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/7_regolamento_comitato_controllo_e_rischi_en_1.pdf).

The Control and Risk Committee operates to assist the Board of Directors with advice, proposals and preliminary briefs in relation primarily to defining the guidelines of the Internal Control and Risk Management System ("SCIGR") and for the periodic assessment of the adequacy and actual operation of the organisational structure relevant to that system.

In particular, the Committee is in charge of verifying the levels of functionality and adequacy of the Internal Control and Risk Management System as well as actual compliance with the internal procedures and guidelines adopted, both to ensure sound and effective management and as far as possible, to identify, prevent and manage financial and operating risks and fraud having an impact on the Company.

The Control and Risk Committee shall carry out all duties assigned to it by the Corporate Governance Code, and in particular it shall:

- support, with appropriate background preparation, the assessments and resolutions of the Board of Directors relative to:
  - the internal control and risk management system and
  - the approval of interim financial reports;
- express its opinion to the Board of Directors with regard to:
  - defining the guidelines of the internal control and risk management system, so that the main risks inherent in the Company and in its subsidiaries are correctly identified and suitably measured, handled and monitored, and in defining the extent to which such risks are compatible with a business management that is consistent with the set strategic goals;
  - assessing, at least on a yearly basis, the adequacy of the internal control and risk management system in relation to the business features and the risk profile undertaken, as well as to its effectiveness;
  - approving, at least on a yearly basis, the work plan prepared by the Internal Audit Manager;
  - describing, within the corporate governance report, of the main features of the internal control and risk management system, and providing an assessment of its adequacy;
  - assessing the results reported by the statutory auditor in its letter of suggestions, if any, and in the report on the fundamental issues that emerged during the statutory audit;
- express its opinion to the Board of Directors with regard to:
  - the appointment and revocation of the Internal Audit Manager;
  - whether this latter is endowed with suitable resources to carry out his duties;
  - whether the remuneration of the Internal Audit Manager is defined in keeping with corporate policy;
- evaluate, together with the Manager in charge of drafting the corporate accounting documents and after consulting the statutory auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their consistency for the purposes of preparing the consolidated financial statements;
- express opinions on specific aspects relating to the identification of the main business risks;
- examine the interim reports concerning the assessment of the internal control and risk management system and the reports of major importance prepared by the Internal Audit function;
- examine, with the assistance of the Risk Manager, the trend of the main job orders and of the relevant risks, based on the summaries of such job orders, asking the Risk Manager for details about projects of major significance and critical points;
- monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Function;
- ask the Internal Audit Function, where it is deemed necessary or advisable, to carry out audits on specific operating areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- report to the Board of Directors on the activity carried out and on the adequacy of the internal control and risk management system at least every six months, upon approval of the half-yearly and

the yearly financial report;

- evaluate the notices given by the Director in charge of the internal control and risk management system, relating to problems and critical points of the Company's internal control and risk management system, and take appropriate actions;
- carry out any other duties that the Board of Directors may assign to it.

In addition, the Control and Risk Committee carries out the duties of the Related-Party Transaction Committee mentioned in the procedure for related party-transactions adopted pursuant to Article 4 of Consob Regulation 17221 of 12 March 2010 (as amended), and exercises the relevant powers.

In carrying out the duties entrusted to it, the Control and Risk Committee may examine and discuss the most significant findings, justifications given and any difficulties encountered during its activity with management and with the Internal Audit Manager; it may also avail itself of the assistance of both Company employees and of external consultants, as long as they are duly bound by the necessary confidentiality restrictions.

The Control and Risk Committee shall promptly share any relevant information for the performance of its tasks with the other Company bodies and functions that carry out significant tasks in connection with internal control and risk management.

As part of its activity, during 2015, the Committee, among other things:

- assessed the company's potential exposure to risk, which was identified by the Director in charge of the Control and Risk Management System and the measures taken by the management to prevent, monitor and control these risks;
- positively assessed the organisational, administrative and accounting structure of Ansaldo STS and the strategically important companies controlled by it, with particular reference to the internal control and risk management system;
- examined the report for the year 2014, the report for the first half of 2015 prepared by the head of the Internal Audit function and assessed favourably the adequacy, efficiency and effectiveness of the Company's internal control and risk management system with respect to the characteristics and the risk profile thereof;
- examined the progress of the Group's 2015 audit plan, checking the main results for the first half-year in question;
- examined the 2015, 2016 and 2017 audit plan, expressing a positive opinion thereon and submitting it to the Board of Directors for its approval;
- examined the performance of certain significant orders;
- conducted the inspections coming within its remit in respect of the Financial Statement for the year 2014, the Interim Financial Reports and the Half-Year Report, and also met with the external auditors and informed the Board of the results of these inspections, making any recommendations as well as observations about the effectiveness of the internal control and risk management system;
- checked the adequacy and appropriateness of the accounting principles that are being used and their uniformity for the purpose of preparing the Consolidated Financial Statements for the year 2014, the Quarterly Financial Reports and the Half-Year Report;
- examined the Company's results in order to verify the fulfilment of the requirements provided for under Law No. 262/2005.

During the first months of 2016 the Committee also :

- assessed the company's potential risk exposure, identified by the Director in charge of the internal control and risk management system, and the measures adopted by the management to prevent, monitor and control such risks;

- given a favourable assessment of the organisational, administrative and accounting structure of Ansaldo STS and of its strategic subsidiaries, with particular regard to the internal control and risk management system;
- examined the periodic reports for the year 2015 prepared by the Head of the Internal Audit, and gave a positive assessment of the adequacy, efficiency and actual operation of the internal control and risk management system of the Company in relation to its nature and characteristics and to the assumed risk profile;
- examined the progress of the Group's audit plan for 2015, verifying the key results of the last half-year;
- examined the audit plan for 2016, expressing a favourable opinion in relation thereto, and proposing it to the Board of Directors for its approval;
- conducted the verifications it was called to carry out with reference to the process of preparing the Financial Statements for the year 2015. To this end, met with the statutory auditing firm and informed the Board of the results of such verifications and of any recommendations, and of any issue encountered with reference to the effectiveness of the internal control and risk management system;
- verified the adequacy and the correctness of the accounting principles used and their consistency for the purposes of preparing the 2015 consolidated financial statements;
- examined the results of the activities carried out by the Company in order to verify the performance of the provisions of Law 262/2005;
- examined the progress of certain significant job orders;
- reviewed and approved the updating of the Company's Organisational Management and Control Model pursuant to Legislative Decree No. 231/01, which was subsequently submitted to the Board of Directors for approval;

During 2015, the Committee met on 11 February, 6 March, 25 March, 5 May, 3 June, 28 July, 30 September, 30 October, 24 November and 21 December;

6 Meetings have so far been foreseen for 2016. Until the date of approval of this Report, the Committee has met on 15 February 2016 and 25 February 2016.

The Committee meets at least every six months (in concurrence with Board of Directors approval of the Financial Statements and the Half-Yearly Financial Report). The Committee business is coordinated by its Chairman, Giovanni Cavallini.

In 2015, the Company's Control and Risk Committee meetings lasted an average of one hour and forty minutes.

The table below shows the number of meetings of the Control and Risk Committee held during 2015, as well as the attendance rate for each member:

***Current Control and Risk Committee in charge from 10 November 2015***

<b>Members</b>	<b>Attendance/No. of Meetings</b>	<b>Attendance %</b>
Giovanni Cavallini(Chairman)	10/10	100%
Paola Giannotti	2/2	100%
Bruno Pavesi	2/2	100%



**Control and Risk Committee in office from 1 January 2015 to 2 November 2015**

<b>Members</b>	<b>Attendance/No. of Meetings</b>	<b>Attendance %</b>
Barbara Poggiali	8/8	100%
Paola Pierri	8/8	100%

The Committee meetings were attended by the Board of Statutory Auditors, the Managing Director as Director in charge of the internal control and risk management system and the Internal Audit Manager. The Company's Risk Manager and Chief Financial Officer also attended, and on invitation of the Chairman of the Committee, other Company Managers to provide whatever detailed information was required relevant to the items on the agenda.

Please note that during 2015, the Chairman of the Board of Directors in office at that time, Sergio De Luca, and the Secretary of the Board of Directors, Ms. Grazia Guazzi attended all the Committee meetings as secretary.

The table below shows the attendance rate of each member of the Board of Statutory Auditors with regard to the Committee meetings held during the 2015 financial year:

**Board of Statutory Auditors in charge**

<b>Members</b>	<b>Attendance/No. of Meetings</b>	<b>Attendance %</b>
Giacinto Sarubbi (Chairman)	10/10	100%
Renato Righetti	10/10	100%
Maria Enrica Spinardi	9/10	90%

The Control and Risk Committee meetings were regularly recorded in minutes.

During the Financial Year, the Committee was given access to all corporate functions and information it required for the performance of its duties. The Committee has its own budget that adequately covers the performance of the duties entrusted to it, which has been fixed for the financial year 2015 in Euro 30,000.00. Prudentially, in light of the particular phase the Company is undergoing, the Control and Risk Committee proposed to increase such budget to Euro 100,000.00.

Moreover, pursuant to Article 4 of the Committee Regulation, the Committee may avail itself of the assistance of both internal employees and of external consultants, at the Company's expense, for the performance of its duties.

**4.2.2 NOMINATION AND REMUNERATION COMMITTEE**

Pursuant to the provisions of Article 37 of the Markets Regulation, the Nomination and Remuneration Committee is entirely composed of non-executive, independent directors, and namely Giulio Gallazzi (Chairman), Alessandra Piccinino and Bruno Pavesi, appointed by the Board of Directors on 10 November 2015.

It should be noted that, in the period between 1 January 2015 and 2 November 2015, the Committee for Nomination and Remuneration was composed of: Bruno Pavesi (Chairman), Giovanni Cavallini and Giulio Gallazzi.

Pursuant to Article 6, paragraph 3 of the Corporate Governance Code, in appointing the members of the Committee, the Board of Directors of the Company verified and certified that all the Directors are at least one of the requirements (knowledgeable and experienced in accounting and financial matters).

The activities of the Committee are governed by Rules, in line with the Corporate Governance Code provisions, approved by the Board on 29 January 2007 and lastly amended on 18 December 2012.

These Rules are available on the Company website at [http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/5\\_regolamento\\_comitato\\_nomine\\_e\\_remunerazione\\_en\\_0.pdf](http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadspage/5_regolamento_comitato_nomine_e_remunerazione_en_0.pdf)

In particular, as regards the Committee's role in terms of appointing Directors pursuant to Article 5 of the Corporate Governance Code, the Committee has the main task of performing the following functions:

- submitting opinions to the Board of Directors regarding the dimension and composition of the same Board and expressing recommendations regarding the professional positions that it may be deemed appropriate to bring onto the Board, as well as on the issues mentioned in Criteria 1.C.3 (maximum number of positions as director and auditor) and 1.C.4, (exceptions to the non-competition clause) of the Corporate Governance Code;
- submitting to the Board of Directors the names of candidates for the office of director in cases of co-option, where it is necessary to replace independent directors;
- on an assignment from the Board of Directors, carrying out the background preparation to prepare the succession plan for executive directors;

On the other hand, as the Remuneration Committee, pursuant to Article 6 of the Corporate Governance Code, the Committee has the task of performing the following functions:

- submitting proposals to the Board of Directors on the remuneration policy for directors and for any managers with strategic responsibilities;
- making periodical assessments of the adequacy, overall consistency and actual implementation of the remuneration policy mentioned in the point above, availing itself - in relation to managers with strategic responsibilities - of the information provided by the Managing Director, and submitting proposals in this matter to the Board of Directors, where appropriate;
- submitting proposals or giving opinions to the Board of Directors on the remuneration of executive directors and of any other directors holding particular offices as well as on the performance targets linked to the variable part of such remuneration, monitoring the implementation of the decisions taken by the Board itself and verifying the actual achievement of the performance targets;
- evaluating the proposals of the Managing Director relevant to the general remuneration and incentive policy, as well as to the management development systems and plans, for the key resources of the Group and the directors vested with powers of the Group companies;
- assisting the Company top management in defining the best policy for handling the managerial resources of the Group;
- proposing share-based compensation plans in favour of Directors and Managers of the Company and of the other companies of the Group and the relevant implementing regulations, carrying out the tasks reserved to it for the management of the plans adopted by the Company case by case;
- reporting the way it exercises its tasks to the Company's shareholders.

The directors shall not participate in the Committee Meetings, in which proposals are submitted to the Board regarding their remuneration.

During the Financial Year, in performing its functions as Remuneration Committee, it exercised a role of support to the Board of Directors and the Human Resources & Organization Department of Ansaldo STS on certain priority issues in the examination of the Company's management systems and the relevant variable remuneration plans.

More specifically, the Committee:

- defined and approved the Remuneration Policy of the Ansaldo STS Group for 2015, prepared by the competent company officers on the basis of the guidelines approved by the Committee;
- approved the Remuneration Report pursuant to Article 123-ter of the TUF, submitted to Board of Directors and, therefore, the General Meeting held on 23 April 2015;
- examined the development and results of the 2014 MBO Plan for the year of reference, establishing the amount to be paid to the Managing Director and to the Managers with Strategic Responsibilities, who are beneficiaries of the plan and were in office during the course of 2014 ;
- specifically allocated the economic benefit from the above Plans to the Managing Director and the Managers with Strategic Responsibilities, who were beneficiaries of the plan and were in office during the course of 2014;
- reviewed the development and results of the Stock Grant Plan 2014-2016 for the year 2014, allotting the shares to the beneficiaries, in furtherance of the Plan concerning such year;
- examined the development and results, for the year 2014, of the 2012-2014, 2013-2015, 2014-2016 Long Term Incentive Plan;

During the early months of 2016, the Committee also:

- established guidelines for drawing up the Remunerations Policy of the Ansaldo STS Group and subsequently approved the Remunerations Policy of the Ansaldo STS Group for the financial year 2016;
- approved the Remuneration Report pursuant to Article 123-ter of the TUF, which will be submitted to the General Meeting called to approve the financial statements for 2015;
- examined the development and results of the Stock Grant Plan 2014-2016 for the year 2015;
- examined the development and results, for the year 2015, of the 2013-2015 and 2014-2016 *Long-Term Incentive Plans*;
- examined and took note, as far as applicable, of the Chief Executive Officer's, General Manager's and Managers with Strategic Responsibilities' variable component data final accounting, which is provided for under the 2015 MBO and LTIP and has already been approved by the Board of Directors.

For more information about the resolutions passed by the Nomination and Remuneration Committee regarding the Chief Executive Officer's, General Manager's and Managers with Strategic Responsibilities' remuneration, please refer to the Remuneration Report made available to the public on the Company's website <http://www.ansaldo-sts.com/en/governance/shareholder-meeting/general-meeting-2016> as well as in any other manner provided for under the law.

In carrying out its duties, the Committee was able to access all the corporate functions and information necessary for the performance of their duties.

The Committee reports to the Board of Directors at least every six months and meets periodically in order to perform the functions and duties assigned to it.

During 2015, the Committee met on 27 January 2015, 3 March 2015, 25 March 2015, 3 June 2015, 28 July 2015, 30 September 2015 and 21 December 2015.

In 2016, 2 meetings have been planned. Up until the date of approval of this Report, the Committee met on 15 February 2016 and 25 February 2016. The Committee's work is coordinated by the Chairman of the Committee, Mr. Giulio Gallazzi.

The following table indicates the number of meetings held by the Committee, as well as the attendance rate of the individual members:

### ***Nomination and Remuneration Committee in office since 10 November 2015***

<b>Members</b>	<b>Attendance/No. of Meetings</b>	<b>Attendance %</b>
Giulio Gallazzi (Chairman)	6/7	85.7%
Bruno Pavesi*	7/7	100%
Alessandra Piccinino	1/1	100%

\* Bruno Pavesi held the position of Chairman of the Nomination and Remuneration Committee until 2 November 2015

### ***Members of the Nomination and Remuneration Committee in office from 1 January 2015 to 2 November 2015***

<b>Members</b>	<b>Attendance/No. of Meetings</b>	<b>Attendance %</b>
Giovanni Cavallini	5/6	83%

The meetings of the Nomination and Remuneration Committee were also attended by the Chairman of the Board of Statutory Auditors and, on a number of occasions, by the Statutory Auditors and also - pursuant to the provisions of Article 1.4 of the Committee rules - the Human Resources & Organization Manager, the current Head of the Organization & Executive Compensation Department.

The Secretary of the Board of Directors, also attended the Committee meetings as secretary thereof.

The table below shows the attendance rate of each member of the Board of Statutory Auditors with regard to the Committee meetings:

<b>Actual Statutory Auditors</b>	<b>Attendance/No. of Meetings</b>	<b>Attendance %</b>
Giacinto Sarubbi (Chairman)	7/7	100%
Renato Righetti	4/7	57%
Maria Enrica Spinardi	5/7	71%

The Committee meetings were regularly recorded in minutes.

The Committee has its own budget that adequately covers the performance of the duties entrusted to it and that has been determined for the year 2015 in Euro 30,000.00. Such budget was also confirmed, upon the Nomination and Remuneration Committee so proposing by the Board of Directors for 2016. Moreover, pursuant to Article 4 of the Committee Regulation, the Committee may avail itself of the assistance of both internal employees and external consultants, at the Company's expense, for the performance of its duties.

## **4.3 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

### **4.3.1 ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

With the assistance of the Control and Risk Committee and also through the activity of the Director in charge of the Internal Control and Risk Management System, the Board of Directors defines the guidelines of that system, so that the main risks inherent in the Company and its subsidiaries are correctly identified, as well as

suitably measured, handled and monitored, also defining how compatible such risks are with business management that is consistent with the set strategic goals. As part of the definition of the strategic, industrial and financial plans, the Board of Directors defined the nature and level of risk compatible with the Issuer's strategic goals.

In its meeting on 10 November 2015, the Board of Directors, with the assistance of the Control and Risk Committee confirmed as the Chief Executive Officer , Mr. Stefano Siragusa, as the Director in charge of supervising the internal control system and risk management functions; during the same meeting, on a proposal of executive Director in charge of supervising the internal control system and risk management functions and after hearing the opinion of the Control and Risk Committee, the Board also confirmed , Mr. Mauro Giganti as Internal Audit Manager.

The internal control and risk management system is the set of rules, procedures and organisational structures aimed at permitting the identification, measurement, management and monitoring of the principal risks. Such system is integrated into the more general corporate organisational and governance structures adopted by the issuer and takes into account Italian and international models of reference and existing best practice. The internal control and risk management system helps the business to be run in keeping with the company goals defined by the Board of Directors, encouraging aware decision-making. It helps to guarantee protection of the corporate assets, the efficiency and effectiveness of the company processes in addition to the reliability of financial information and compliance with laws and regulations, as well as with the Company's Articles of Association and internal procedures.

The internal control and risk management system reduces - but cannot eliminate - the risk of incorrect decisions, human error, fraudulent breach of the control systems, unforeseeable occurrences as well as risk intrinsic to exercising the business activity. The internal control and risk management system therefore provides reasonable but not absolute assurance that there are no obstacles to the Company and its subsidiaries achieving their business targets or to the ordinary and legitimate performance of its activities, arising from circumstances that could be reasonably predicted.

The Company's internal control and risk management system, in line with international best practice, consists of the following elements:

a) Internal environment: This is the set of standards, processes and structures that are the basis for implementing the internal control and risk management system. For these purposes:

- Ansaldo STS has defined a set of rules for governance of the group through specific procedures;
- the Company has a Code of Ethics for the Group updated on the basis of developments in the organisational and business structure; as regards Ansaldo STS, specific standards of conduct have been put forward in the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, according to the requirements set out by the provisions of the same;
- powers and responsibilities are defined in the corporate procedures in compliance with the principle of separating incompatible duties;
- human resources management conforms to principles of transparency, promotion of dignity, health, freedom and equality of workers and development of competences.

b) Risk management: This is a dynamic and interactive process which identifies and analyses the risks that could prevent the Company from achieving its business goals and allowing it to determine how it can manage those risks.

The Group has in place risk management processes with regard to offers and projects, financial risks, as well as to corporate processes; these processes are monitored and updated in relation to the business targets. The management process for business process risks refers to the Enterprise Risk Management methodology of the Committee of Sponsoring Organizations of the Treadway Commission (COSO report).

c) Control activities: this consists in carrying out those actions foreseen under the Company policies and procedures - which ensure that the risk is mitigated. In this regard it is noted that:

- periodic "management reviews" are conducted on the offers and the progress of projects and of the overall corporate performance. Moreover, the company management verifies that the targets of the processes are implemented;
- computerised and non-computerised policies and procedures are used to define the control activities. Ansaldo STS has put into place procedures relating to sensitive areas such as consultants and business promoters, sponsorships, consultancy, free gifts, accommodation expenses and entertainment expenses.

d) Information and communication: the information that enables everyone to correctly perform their own duties with a view to achieving the objectives and performing the control activities must be appropriately communicated. In this regard, please note that information:

- is managed through IT systems constantly monitored with regard to efficiency and effectiveness and updated according to business needs;
- is disseminated at various levels according to business goals and needs, including through specific IT tools.

e) Monitoring: the internal control and risk management system is to be monitored by assessing the operations and presence of the people who make it up over time. In this regard, note that:

- specific corporate functions carry out periodic monitoring of the internal control and risk management system, including the strategy, quality and process improvement function, and the Internal Audit function. The Manager in charge of preparing the accounting and corporate documents periodically monitors the processes providing the financial information;
- the improvement actions identified further to such monitoring are subject to management assessment and to specific monitoring.

Based on the representations made by the Chairman of the Control and Risk Committee during the meeting of the Board of Directors held on 11 February 2015, the said Board, after having consulted the Board of Statutory Auditors, assessed the internal control and management system adopted by the Company to be adequate and effective in relation to the nature and characteristics of the enterprise and its risk profile, as well in relation to the organisational, administrative and accounting structure of Ansaldo STS and its subsidiaries (which have a strategic importance).

Finally, the Board of Directors, at the Board Meeting held on 15 February 2016, after having consulted the Audit and Risk Committee and the Board of Statutory Auditors, judged the Company's internal control and risk management system (as well as the organisational, administrative and accounting structure of Ansaldo STS, which is one of its key subsidiaries) to be adequate and effective in terms of the Company's characteristics and risk profile.

For the purposes of the above assessment, during the financial year, the Control and Risks Committee examined in particular:

- the outcome of the risk assessment activity;
- the outcome of the assessments carried out by the Risk Management function on the projects pursuant to a previously examined work plan;
- the outcome of the audit activities conducted by the Internal Audit function, pursuant to a previously examined audit plan;
- the outcome of the meetings with the independent auditing firm;
- the reports of the Surveillance Body on the Organisation, Management and Control Model regarding the aspects pursuant to Legislative Decree no. 231/2001.

During the meeting that took place on 15 February 2016, the Chairman of the Control and Risk Committee also reported to the Board of Directors on the examination and assessment of the updated map of the risks

inherent in the Company and its subsidiaries, prepared by the Director in charge of the internal control and risk management system, identifying the relevant risk reduction plans. At the same meeting, after the Board also examined the information above, it decided that the risks inherent in the Company and its subsidiaries are correctly identified, measured, managed and monitored and that they are compatible with Company management that is in line with its strategic goals.

For the purpose of making its assessment, the Board of Directors also took into account, at the Board Meeting held on 15 February 2016, all the risks that could be significant in view of sustaining the Company's activities in the medium to long term.

#### **4.3.2 DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS**

The internal control and risk management system on financial reporting is defined as the set of activities aimed at identifying and evaluating the cases in which the fact that an action or event occurs, or does not occur, may hinder, either totally or in part, the achievement of the targets of credibility, accuracy, reliability and timeliness of the financial reporting. It is a part of the overall internal control and risk management system.

Such system is aimed at verifying that the administrative/accounting procedures adopted and their implementation are suitable to ensure the reliability of the financial reporting and the capability of the process for drafting the financial statements to produce timely and reliable accounting and financial reporting, in accordance with the reference accounting standards.

The internal control and risk management system on financial reporting has been defined in keeping with the generally accepted frameworks issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO Report, integrated, as regards IT aspects, by the Control Objectives for Information Technology - COBIT.

This system includes a component for the risk management of fraud, defined on the basis of a fraud risk assessment that consists of a set of controls to offset the risk of fraud in the financial reporting processes, subject to periodic monitoring.

The administrative and accounting procedures imply the analysis of the risk that errors, whether intentional or not, may occur in the processes leading to the development of the financial reporting. Therefore, to define such system, the risk areas where there is a possible occurrence of events that could endanger financial reporting reliability are identified and assessed.

On the basis of the identification and assessment of risk areas, the components of the internal control system in relation to the financial reporting have been analysed through:

- a brief overall analysis regarding the main companies of the Group, and particularly the control components relevant to financial reporting reliability;
- an analysis of each operating process, relevant to significant financial statement items for financial reporting purposes, through a correlated matrix between targets identified for the process activities and the controls associated therewith.

The system has been developed in the following macro-stages for key companies in the Group:

- identification and assessment of risks;
- assessment of the adequacy of controls;
- verification of the control system's operability;
- monitoring and evolution of the control system.

#### **Identification and assessment of risks**

Risk is identified in relation to the financial statements assertions (existence and materialisation, completeness, rights and obligations, evaluation and registration, presentation and reporting) and other

control objectives such as compliance with the authorisation limits, separation of incompatible tasks, controls on physical safety and on the existence of assets, documentation and traceability of transactions. The identification of risk also includes risks of fraudulent activity, to be understood as intentional acts capable of generating a false economic/balance-sheet/financial representation in the financial statements or of diverting the Company's assets.

#### Assessment of adequacy of controls

Based on the risk assessment, specific risk-mitigation controls are identified which can be distinguished into two macro-categories:

- controls applicable to the entire corporate organisation (Group/Company) which, being common across the entire organisation to be evaluated, represent structural elements of the internal control system on financial reporting (so-called "Entity Level Control");
- specific process-level controls ("Process Level Control");
- checks relating to the operation and management of information systems ("IT General Control").

#### Verification of the control and risk management system operability

In order to verify and ensure the operability of the internal control system on financial reporting, specific monitoring activities are to be performed both by the persons in charge of the processes (so-called "process owners") and by independent third parties with respect to the operability of the processes (Internal Audit). The controls that are subject to monitoring include controls for the prevention of fraud risk.

#### Monitoring and evolution of the control system

In order to ensure that the system is adequately monitored, the "design" of its components is subject to systematic assessment and, at any rate, whenever significant events occur. Specific tests are carried out every six months to assess the operability of the controls indicated by the administrative and accounting system supervision procedures.

The process owners and the Manager in Charge of drafting the corporate accounting documents are notified of any deficiencies either in the design or in the operability of the controls so they can plan remedial action, with follow-up to make sure such actions have been implemented.

The Manager in Charge of drafting the corporate accounting documents, together with the Chief Executive Officer, provide the certification under Article 154-*bis*, paragraph 5 of the TUF.

#### **4.3.3 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Director in charge of the internal control and risk management system, with effect from 1 January 2014, is Mr. Stefano Siragusa, appointed by the Board of Directors at its meeting on 15 April 2014 and, later on, confirmed in such role on 10 November 2015.

The Director in charge of the internal control and risk management system identifies the main business risks, implements the guidelines defined by the Board of Directors and makes sure the internal control and risk management system is adapted accordingly, promptly reporting to the Control and Risk Committee and/or the Board any problems and critical issues that emerge in the performance of his actions or that in any case come to his notice.

The director in charge of the internal control and risk management system can request the Internal Audit function to look at specific operating areas and verify whether the internal rules and procedures are being observed when Company business is being conducted, provided that the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Statutory Auditor is given notice thereof.

The Director in charge of the internal control and risk management system:

- identified the main business risks, taking into account the characteristics of the business conducted by the Company and its subsidiaries, periodically submitting them to the Board for examination;



- implemented the guidelines defined by the Board of Directors, supervising the planning, completion and management of the internal control and risk management system and constantly making sure it was adequate and effective;
- took actions to adapt such system to the dynamics of the operating conditions and of the legislative and regulatory scenario.

#### **4.3.4 HEAD OF INTERNAL AUDIT**

At the meeting held on 10 November 2015, on a proposal of the Director in charge of the internal control and risk management system, and after having obtained the favourable opinion of the Control and Risk Committee and having heard the Board of Statutory Auditors, the Board of Directors appointed Mr. Mauro Giganti.

At the same meeting, the Board of Directors, upon the director in charge of the internal control and risk management system so proposing and after having obtained the favourable opinion of the said Committee and after having heard the Board of Statutory Auditors, established the Internal Audit Head's remuneration in line with company policy and ensured that the latter is given adequate resources to carry out his responsibilities. In particular, the financial resources made available to the Internal Audit Head for the year 2015 amounted to about Euro 400,000.00.

The Head of Internal Audit verifies the operability and suitability of the internal control and risk management system - both on an ongoing basis and in relation to specific needs - in compliance with international standards; this is done through an audit plan approved by the Board of Directors, after hearing the opinion of the Control and Risk Committee, based on a structured process of analysing and prioritising the main risks. At its meeting held on 11 February 2015, the Board of Directors, based on a proposal submitted by the Control and Risk Committee, approved the 2015 work plan prepared by the Internal Audit Manager, after consulting the Board of Statutory Auditors and the Director in charge of the internal control and risk management system.

The Head of Internal Audit is not responsible for any operational area and is directly responsible to the Board of Directors. The Head of Internal Audit has also access to any information required to carry out the assignment.

During the financial year, the Head of Internal Audit:

- verified the operability and suitability of the internal control and risk management system and the reliability of the IT systems, including the accounts recording systems, as part of the 2015 audit plan examined by the Control and Risk Committee during its meeting on 11 February 2015;
- reported on his activity to the Director in charge of the internal control and risk management system, to the Control and Risk Committee and to the Board of Statutory Auditors;
- during the Control and Risk Committee meeting on 11 February 2015, in light of the evaluation of the risk map and of the overall monitoring activity of the internal control and risk management system, expressed a favourable opinion on the suitability of the internal control and risk management system to reduce overall risk to an acceptable level.

The Head of Internal Audit also prepared his own periodic reports - for the first half of 2015 and for the whole year 2015 - on his activities, on the procedures used to conduct risk management and on compliance with the risk reduction plans. These reports were examined by the Control and Risk Committee at its meetings on 11 February 2015 and 15 February 2016. These periodic reports contain an assessment of the suitability of the internal control and risk management system and were transmitted to the Chairman of the Board of Statutory Auditors, of the Control and Risk Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system.

It should be noted that on 20 January 2016 Mr. Mauro Giganti resigned and he will leave the Company on 31 March 2016.

#### 4.3.5 ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

Following the entry into force of Legislative Decree no. 231 of 8<sup>th</sup> June 2001, as amended, which introduced a specific corporate liability regime for certain classes of criminal offences, the Company has adopted measures, in accordance with the provisions of the same Decree, suitable to avoid the possibility of being charged with such liability, by establishing specific protocols and supervision systems aimed at preventing certain types of offences.

For such purpose, by resolution of the Board of Directors on 27 June 2006, the Company adopted the Organisation, Management and Control Model pursuant to Legislative Decree 231/01, which was then updated, following legislative and organisational changes, by Board resolutions of 11 November 2008, 6 March 2009, 6 July 2010, 28 June 2012, 26 June 2013, 16 December 2014 and, most recently on 25 February 2016.

The latest update, which was resolved upon on 25 February 2016, mainly had the purpose of:

- Including in the Model's special "G" section, which was dedicated to "*Criminal Offences committed in violation of environmental standards*", the new offences provided for under Article 25-undecies of Legislative Decree No. 231/01 – which was introduced by Law No. 68/2015 - whose title is "*provisions on the commission of criminal offences against the environment*": Article 452-bis of the Criminal Code ("*Environmental pollution*"), Article 452-ter of the Criminal Code ("*Death or injury suffered as a result of environmental pollution crimes*"), Article 452-quater of the Criminal Code ("*Environmental disasters*"), Article 452-quinquies of the Criminal Code ("*Criminal offences intentionally committed against the environment*"), Article 452-sexies of the Criminal Code ("*Trafficking and abandonment of highly radioactive material*"), Article 452-septies of the Criminal Code ("*Hindering Control Activities*"), Article 452-terdecies ("*Failure to conduct land reclamation*");
- Including in the General Section, in the Special Parts "A", "B" and "F" of the Model, and in Annex 1) thereto, the amendments introduced by Law No. 69/2015 (whose title is "*Measures combating the commission of criminal offences against governmental authorities, combating mafia-type associations and combating false accounting*") to Articles 317 of the Criminal Code ("*malfeasance*"), Article 416-bis of the Criminal Code "*Mafia-type associations, including foreign Mafia-type associations*", Article 2621 of the Civil Code ("*false information on companies*") and Article 2622 "*false information on listed companies*";
- Introducing in the Special Section "D" of the Model, which is dedicated to "*Handling, Recycling and Using money, goods or assets which have an illicit origin*" the new offence of self-recycling, as provided for under Article 25-octies of Legislative Decree No. 231/01, which was introduced by Law No. 186/2014 and whose title is "*Provisions on reporting and returning funds that are held abroad, as well as strengthening the fight against tax evasion and provisions on self-laundering*".

The Company also adopted the Code of Ethics by resolution of the Board of Directors on 27 June 2006; the Code of Ethics was then amended by the resolutions of 11 November 2008, 6 July 2010 and 28 June 2012.

The Model is comprised of a general part and twelve special sections.

The general part essentially focuses on the Surveillance Body ("S.B.") and on the information flows to be transmitted to the same, as well as on the reporting, by the same S.B., to the corporate bodies; on personnel training, on the diffusion of the Model inside and outside the company and on the disciplinary system for the case of non-compliance with the Model prescriptions.

The special sections, relevant to the various offences described in the decree, which might in theory apply to the Company, are as follows: (i) offences to the detriment of the Public Administration, (ii) offences committed for terrorism-related purposes or for the purpose of subverting democracy; (iii) corporate and market abuse offences, (iv) corruption between private parties, (v) negligent homicide and grievous bodily harm committed in violation of occupational health and safety rules, (vi) offences of employing third-country nationals whose stay is illegal, and reducing to or maintaining in slavery or servitude (vii) offences of receiving stolen goods, money laundering and using money, goods or other property of illicit origin, self-laundering; (viii) computer-related offences and unlawful processing of data as well as infringement of copyright, (ix) organised crime

offences, (x) offences relating to breach of environmental regulations, (xi) crimes of obstruction of justice, (xii) crimes against industry and commerce and crimes of counterfeiting money, public credit cards, revenue stamps and identification instruments or signs of recognition. The special sections of the Model list the relevant risk areas for the type of offence, refer to the specific decision-making protocols in force and the relevant rules of conduct for anyone operating in the aforesaid areas and define the related monitoring procedures.

Annexes and integral parts of Ansaldo STS's Organisation Model are:

- the Code of Ethics;
- the organisational structure of Ansaldo STS;
- the subdivision of powers and delegation system;
- Evidence file indicating relations with Public Administrations;
- Periodic statement relating to compliance with the Model and with the powers of attorney and the limits of signatory powers;
- list of significant parties under the "Internal Dealing Code";
- list of procedures referred to in the special parts of the Model.

The Organisation, Management and Control Model pursuant to the Legislative Decree No. 231/2001 and the Code of Ethics are available on the company website at the address <http://www.ansaldo-sts.com/en/governance/governance-system>.

In relation to the provisions of Article 6 of the mentioned Decree, on 27 June 2006 the Board resolved to establish a multiple-member Surveillance Body (S.B.). The tasks, activities and operation of this body are governed by specific bylaws approved by the Board of Directors on 24 October 2006 and last amended on 6 May 2013. The S.B. also has an internal regulation, brought to the attention of the Board of Directors on 6 July 2010.

In particular, the Surveillance Body bylaws - most recently modified on 6 May 2013 - provide that its term of office is three years and that it must be comprised of three members, chosen as follows: (i) two members from outside the Company having the relevant expertise and experience necessary for the position, so as to further enhance the independence of the S.B., and (ii) an internal company figure identified as the current *pro tempore* Corporate Affairs Manager.

The Board of Directors meeting of 6 May, 2013 - in order to align the composition of the S.B. to the new statutory provisions - appointed two new members of the S.B. to replace two members who resigned: their names were drawn from outside the Company and they are academics and professionals with proven expertise and experience in the legal, economic and financial fields, and it also confirmed the *pro tempore* Corporate Affairs Manager of the Company as a member of the S.B..

In this regard it must be noted that, following the resignation of the Company's *pro tempore* Corporate Affairs Head, the Company's Board of Directors, appointed the lawyer Mr. Filippo Corsi, who is the Company's General Counsel & Compliance Officer, on 21 December 2015, as an internal member of the SB who replaced the former SB member.

In particular, this body - following the resolution passed by the said Board of Directors - is currently composed of the lawyer Ms. Nicoletta Garaventa, an external member entrusted with the office of Chairman of the S.B. by Mr. Alberto Quagli, an external member and by the lawyer Mr. Filippo Corsi, who is the Company's General Counsel & Compliance Officer.

The S.B. transmits to the Board of Directors, on a half-yearly basis, a written report relating to the implementation and actual operation of the Organisation, Management and Control Model.

The S.B. has its own budget amounting to Euro 40,000.00 that adequately covers the performance of the duties entrusted to it. Such budget has, furthermore, been confirmed for the year 2016.

The S.B. independently approves, on a yearly basis, its own supervision plan, which includes both actions to verify Model adequacy and actions of compliance with the same Model.

#### **4.3.6 INDEPENDENT AUDITING FIRM**

The accounts are legally audited by KPMG S.p.A., a specialised Company entered in the register of statutory auditors, appointed by the Ordinary General Meeting on 7 May 2012, on a justified proposal submitted by the Board of Statutory Auditors. The appointment was made for the 2012-2020 financial years.

#### **4.3.7 MANAGER IN CHARGE OF DRAFTING THE CORPORATE ACCOUNTING DOCUMENTS**

In accordance with Article 154-*bis* of the TUF, Article 23.2 of the Company's Articles of Association states that the Board of Directors is to appoint a Manager in Charge of drafting the corporate accounting documents, after hearing the binding opinion of the Board of Statutory Auditors. The same provision in the Articles of Association also states that the Manager in Charge must have gained at least three years' experience in the exercise of:

- a) management or control activities or executive duties in corporations with a share capital of no less than two million Euro, or
- b) professional activities or university professorship with tenure in law, economics, finance or technical and scientific subjects strictly pertaining to the company's business and to the functions which the Manager in Charge is to carry out, or
- c) managerial duties in public organisations operating in the field of credit, finance and insurance or, in any case, in sectors strictly connected with the company's field of business.

After ensuring compliance with the aforementioned professional requirements, the Board of Directors confirmed, after having obtained the approval of the Board of Statutory Auditors, Mr. Roberto Carassai (who is the Company's *Chief Financial Officer*) as the Manager responsible for preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF.

With effect from 5 November 2013 the Board of Directors also appointed Mr. Roberto Carassai as the Company's new Chief Financial Officer and, subject to the favourable opinion of the Board of Statutory Auditors, as Manager in charge of drafting the corporate accounting documents pursuant to Article 154-*bis* of the TUF, replacing Mr. Christian Andi, who was assigned to the new important role of Chief Operating Officer within Ansaldo STS.

In accordance with the provisions of the applicable laws, the Manager in Charge has set up proper administrative and accounting procedures for preparing the annual financial statements and the consolidated financial statements, as well as for any other financial disclosure.

The Manager in Charge together with the Chief Executive Officer also attested as follows - in a special report annexed to the financial statements, the consolidated financial statements and the half-yearly financial report: (i) the adequacy and actual implementation of the administrative and accounting procedures as indicated above for the period to which such accounting documents refer; (ii) the compliance of the contents of such documents with the international accounting standards that apply within the European Union pursuant to the (EC) Regulation no. 1606/2002 of the European Parliament and the Board, dated 19 July 2002; (iii) the consistency of the same documents with the data resulting from the accounting books and records and their suitability to provide an true and accurate representation of the equity, economic and financial position of the Company and of all the companies included in the consolidation; (iv) that the directors' report accompanying the annual financial statements and the consolidated financial statements contains a reliable analysis of the performance and of the operating results, as well as of the position of the Company and of all the companies included in the consolidation, together with a description of the main risks and uncertainties to which these latter are exposed; (v) that the interim director's report included in the half-yearly management report contains a reliable analysis of the information under paragraph 4 of Article 154-*ter* of the TUF.

#### **4.3.8 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

With different roles and as part of their competences, the Company's internal control and risk management system involves the following subjects:

- the Board of Directors;
- one or more Directors in charge of setting up and maintaining an effective internal control and risk management system;
- the Control and Risk Committee;
- the Internal Audit Manager;
- the other company positions and functions with specific duties relating to internal control and risk management, including in particular, (i) the Risk Management function, (ii) the Manager in charge of drafting the corporate accounting documents and (iii) the Surveillance Body set up under Legislative Decree No. 231/2001 ("S.B.");
- the Board of Statutory Auditors, also in its role as the internal control and audit committee.

In order to ensure adequate coordination of the various parties involved in the internal control and risk management system, the Company has put in place an information flow system that guarantees timely sharing of information.

#### **4.3.9 REQUIREMENTS UNDER ARTICLES 36 AND 37 OF THE MARKETS REGULATION**

With reference to the 2015 financial year, both the Board of Statutory Auditors and the Board of Directors of the Company verified compliance by Ansaldo STS with the rules set out by Consob in articles 36 and 37 of the Markets Regulation in matters of (i) conditions for the listing of parent companies of companies established and operating under laws of non-member Countries of the European Union ("non-EU foreign subsidiaries") and of (ii) conditions preventing the listing of subsidiaries subject to direction and coordination by other companies.

In particular, with respect to the verifications carried out in the financial year, and, most recently, in early 2016, the following is confirmed:

- in application of the parameters of significance referred to in Article 36, paragraph 2, of the Markets Regulation, the identification of the following non-EU foreign subsidiaries: Ansaldo STS USA Inc., Ansaldo STS Australia Pty Ltd. and Ansaldo Railway System Trading (Beijing) Ltd.;
- the Balance Sheet and the Income Statement for 2015 of all companies mentioned above will be made available to the public by the Company within the dates indicated by the law (in accordance with the provisions of Article 36, paragraph 1, letter a) of the Markets Regulation);
- Ansaldo STS has obtained the Articles of Association, the composition and the powers of the corporate bodies of all companies mentioned above and the updated versions of these documents will be kept at the disposal of Consob, if it specifically requests them to be exhibited for supervision purposes (in accordance with the provisions of Article 36, paragraph 1, letter b) of the Markets Regulation);
- all the companies indicated above: (i) provide the Company auditor with the information required by the latter to carry out the audit of the annual and interim accounts of Ansaldo STS (in accordance with the provisions of Article 36, paragraph 1, letter c), item (i), of the Markets Regulation); (ii) have an administrative and accounting system that can regularly transmit to Company management and auditor the necessary economic, equity and financial data to prepare the consolidated financial statements of Ansaldo STS (in accordance with the provisions of Article 36, paragraph 1, letter c), item (ii) of the Markets Regulation);
- compliance with the publication requirements under Article 2497-*bis* of the Civil Code (in accordance with the provisions of Article 37, paragraph 1, letter a), of the Markets Regulation);

- the Company can independently negotiate with customers and suppliers (in accordance with the provisions of Article 37, paragraph 1, letter b) of the Markets Regulation);
- the Company has no cash pooling relationship with the company that manages and coordinates it or with other companies of the group it belongs to (in accordance with the provisions of Article 37, paragraph 1, letter c) of the Markets Regulation);
- the Control and Risk Committee and the Nomination and Remuneration Committee are composed only of Independent Directors (in accordance with the provisions of Article 37, paragraph 1, letter d) of the Markets Regulation).
- the Board of Directors consists of a majority of Independent Directors (in accordance with the provisions of Article 37, paragraph 1, letter d) of the Markets Regulation).

In light of the above, the Board of Directors has certified compliance with the conditions under articles 36 and 37 of the Markets Regulation (pursuant to Article 2.6.2, paragraphs 10 and 11, of the Stock Markets Regulation).

#### **4.4 RELATED-PARTY TRANSACTIONS**

The Board of Directors of the Company unanimously approved the Procedure regarding related-party transactions (the "**Procedure**") on 26 November 2010, upon the favourable opinion unanimously expressed by the Procedures Committee, pursuant to Article 2391-*bis* of the Civil Code and Article 4, paragraphs 1 and 3, of the Consob Regulation on related-party transactions. On the same date, the Company's Board of Statutory Auditors confirmed compliance of the aforesaid Procedure with the principles indicated in the Regulation.

Three years after the approval of the Procedure, the Board of Directors on 4 November, 2013, in accordance with the recommendations of Consob in its communication No. DEM/10078683 of 24 September 2010 relating to related-party transactions in line with the provisions of Article 13.1 of the Procedure, assessed the adequacy of the Procedure. In particular the Board, after obtaining the approval of the Procedures Committee, assessed the Procedure to be adequate and considered that no substantial amendment thereof was required.

The Procedure, available on the Company's website [http://www.ansaldosts.com/sites/ansaldosts.message-asp.com/files/downloadspage/procedura\\_parti\\_correlate\\_eng\\_0.pdf](http://www.ansaldosts.com/sites/ansaldosts.message-asp.com/files/downloadspage/procedura_parti_correlate_eng_0.pdf) is aimed at defining the rules, methods and principles to ensure the transparency and the substantial and procedural correctness of the related-party transactions conducted by the Company, either directly or through subsidiaries.

##### **4.4.1 SIGNIFICANT RELATED-PARTY TRANSACTIONS - BACKGROUND PREPARATION AND APPROVAL**

Pursuant to the provisions of Article 8 of the Regulation and Article 6.2 of the Procedure, except for Significant Related-Party Transactions for which the General Meeting is responsible, or that it must authorise, the Company Board of Directors is competent to authorise Significant Related-Party Transactions, subject to the binding and justified favourable opinion of the Committee for Related-Party Transactions (which, pursuant to the Procedure, coincides with the Control and Risk Committee - established in accordance with the Corporate Governance Code), subject to receipt of timely, complete and adequate information about the characteristics of the Transaction, which the Company intends to carry out.

Even if it is through one or more of its members delegated for such purpose, the Committee for Related-Party Transactions must be involved during negotiations and during the background preparation stage. The Committee, or its delegated member, is entitled to ask for information and to formulate observations to the delegated bodies and the persons in charge of carrying out the negotiations or the background preparation.

Once the background preparation is completed, after receiving the final data and information relevant to the Transaction, the Committee for Related-Party Transactions, will express - in time to allow the responsible body to reach a decision - a binding, justified opinion on the benefits to the Company of performing the Significant Transaction and on the advantage and substantial correctness of the relevant terms.

If the Committee for Related-Party Transactions deems it necessary or appropriate, it may seek advice from one or more independent experts of its choice in order to issue said opinion, choosing persons with proven skills and expertise on matters of interest. The costs and expenses relating to consultancy services provided by the said experts are borne by the Company.

If the Related-Party Transactions Committee has expressed a prior justified opinion opposing a Significant Transaction, or if it has expressed a conditional opinion or recommendations, the Board of Directors of the Company may: (i) approve the Significant Transaction subject to adopting all the recommendations made by the Committee for Related-Party Transactions, or alternatively, (ii) approve the Significant Transaction despite the negative opinion of the Committee, or without otherwise taking into account its recommendations, on condition that the Transaction is authorised by the General Meeting or lastly, (iii) not approve the Significant Transaction and therefore not proceed with it.

In relation to Significant Transactions which are the responsibility of the General Meeting or which must be authorised thereby pursuant to Article 2364, paragraph 1, no. 5, Civil Code, for the negotiation, background preparation and approval stage of the motion to be tabled before the Meeting, the terms set forth above shall apply.

If the Board of Directors intends to submit a Significant Transaction to the General Meeting despite the negative opinion or without otherwise taking into account the recommendations made by the Committee for Related-Party Transactions, the Transaction shall not be carried out if the majority of non-related voting shareholders vote against the Transaction, on condition, however, that the non-related shareholders present at the Meeting represent at least 10% of the voting share capital.

Without prejudice to the information required under articles 5 and 6 of the Regulation, the Chief Executive Officer shall provide the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Significant Transactions.

#### **4.4.2 LESS SIGNIFICANT RELATED-PARTY TRANSACTIONS - BACKGROUND PREPARATION AND APPROVAL**

Subject to the justified and non-binding opinion of the Committee for Related-Party Transactions and subject to receipt from Corporate Affairs and Group Insurance of timely, complete and adequate information about the characteristics of the Transaction, which the Company intends to carry out, the body responsible for decision-making shall approve Less Significant Transactions.

After receiving full and final data and information relevant to the Transaction the Company intends to carry out, the Committee for Related-Party Transactions will express - in time for the responsible body to reach a decision - a non-binding, justified opinion on the benefits to the Company of performing the Transaction, and on the advantage and substantial correctness of the relevant terms.

If the Committee for Related-Party Transactions deems it necessary or appropriate, it may seek advice from one or more independent experts of its choice in order to issue said non-binding opinion, among persons of proven professionalism and expertise on matters of interest. The costs and expenses of the consultancy services provided by the experts will be borne by the Company.

In relation to Less Significant Transactions which are the responsibility of the General Meeting or which must be authorised thereby pursuant to Article 2364, paragraph 1, no. 5, Civil Code, for the background preparation and approval stage of the motion to be tabled before the Meeting, the terms set forth above shall apply *mutatis mutandis*.

Without prejudice to the information required under article 5, paragraph 8, and article 6 of the Regulation:

- (i) the Chief Executive Officer provides the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, with a report on the performance of Less Significant Transactions;
- (ii) without prejudice to the provisions of Article 114, paragraph 1, of the TUF, within fifteen days of the end of each financial year quarter, the Company makes available to the public a document specifying the other party, the subject-matter and the amount associated with the Less Significant Transactions

approved during that quarter despite the negative opinion of the Committee for Related-Party Transactions, in addition to the reasons why it decided to disregard that opinion.

#### **4.4.3 TRANSACTIONS CARRIED OUT THROUGH SUBSIDIARIES**

Transactions carried out through subsidiaries must be submitted for the prior, non-binding opinion of the Committee for Related-Party Transactions, which shall issue its opinion in time to allow the responsible body to authorise, examine or assess the Transaction.

#### **4.4.4 EXEMPT TRANSACTIONS**

The terms of the Procedure do not apply to Transactions for Small Amounts (i.e. for no more than Euro 150,000.00 when the Related Party is a natural person or no more than Euro 1,000,000.00 when the Related Party is a legal person).

Without prejudice to the periodic financial reporting obligations under Article 5, paragraph 8 of the Regulation, the Procedure does not apply to the following Transactions, where applicable:

- (a) Transactions relevant to share-based compensation plans approved by the Meeting pursuant to Article 114-*bis* of the TUF, and all relevant implementing operations;
- (b) resolutions relating to the remuneration of directors vested with particular positions, other than those referred to in Article 13, paragraph 1 of the Regulation, as well as other managers with strategic responsibilities, on condition of compliance with the requirements under Article 13 of the Regulation;
- (c) Regular Transactions concluded under the same conditions as those normally adopted for non-related parties for transactions of a corresponding nature, size and risk, or based on regulatory tariffs or imposed prices, or adopted for persons with whom the Company is legally obliged to agree to a specific fixed amount, without prejudice to the obligation to comply with the information requirements as per Article 13 of the Regulation;
- (d) urgent Transactions which do not fall within the remit of the General Meeting or are not required to be authorised thereby, on condition of compliance with the requirements under Article 13 of the Regulation;
- (e) Transactions with or between companies individually or jointly controlled by the Company, as well as Transactions with associates of the Company, if other Related Parties of the Company have no Significant Interest in the subsidiaries or associates that are parties to such Transaction.

Such cases of exemption also apply, *mutatis mutandis*, to Transactions carried out through subsidiaries. With regard in particular to the exemption for Regular Transactions, the activity carried out by the subsidiary is used to assess the regular nature of the Transaction, except where such subsidiary is a special purpose vehicle established to perform the Transaction, in which case the regularity must be verified with regard to at least one of the activities carried out by the ASTS Group.

### **4.5 BOARD OF STATUTORY AUDITORS**

#### **4.5.1. APPOINTMENT**

The General Meeting elects, through list voting, the Board of Statutory Auditors, which consists in three Statutory Auditors and determines the Statutory Auditors' remuneration. The General Meeting also elects three alternate Statutory Auditors.

As provided for the submissions of lists of candidates to the Board of Directors, if the lists of candidates for the office of Auditors are not submitted by the above terms, the lists shall be considered as not submitted.

Lists may only be submitted by Shareholders who, either alone or together with other shareholders, own the shareholding identified in compliance with the provisions of the Consob regulation (both for the financial year 2015 and the year 2016, equal to 1% of the Ansaldo STS share capital). Each Shareholder may submit or contribute to submitting only one list and can vote for only one list. Shareholders belonging to the same group



or being party to a shareholders' agreement concerning shares in the Company cannot submit or vote for more than one list, even through intermediaries or trust companies.

In order to prove ownership of the number of shares required to submit the lists, the shareholders shall deposit at the Company's registered office the specific certificate proving ownership of the number of shares represented, within the deadlines indicated by the applicable provisions, by giving notice through an authorised intermediary, pursuant to the applicable legislation that is in force at any given time.

The lists must include the name of one or more candidates (provided that their number shall not be greater than the members to be elected). Each candidate can be only in one list. Failure to comply with this provision shall result in the candidate not being eligible.

The lists are divided in two sections: one for candidates as Standing Member and the other for candidates as Alternate Member. The first candidate of each section must be registered in the Register of Statutory Auditors and have performed statutory audits for no less than three years.

Furthermore the lists that, considering both sections, have three or more candidates must include, in the first two places of the Standing Auditors section and of the Alternate Auditors section, candidates of different gender.

Statements shall be filed together with each list, within the terms indicated by the applicable laws, whereby the single candidates accept their nomination and certify, under their own responsibility, that no reasons for ineligibility and incompatibility exist, and that they meet the requirements set out by the applicable laws and the Company's Articles of Association for their respective offices.

Auditors shall be elected as follows:

- Two Standing Auditors and two Alternate Auditors shall be taken from the list that has obtained the majority of votes expressed by eligible voters, based on the progressive order they are on the list;
- The remaining Standing Auditor and Alternate Auditors shall be taken from the other lists according to the same rules for the appointment of members of the Board of Directors under Article 16.3, letter b) of the Articles of Association; for this purposes, the votes obtained by each section of the other lists are divided by one. The results so obtained are allocated to the candidates of each section of each list, according to the order provided therein. The quotients allocated to the candidates of each section of the lists are placed in a single decreasing ranking. Those who have obtained the highest quotient in each section are elected.

In the event that (i) only one list or (ii) no list is submitted or (iii) outside the cases of renewal of the entire Board of Directors, the Meeting shall adopt a resolution with the majorities required under law without observing the procedure above mentioned, and in any event so as to ensure that the composition of the Board of Statutory Auditors complies with the provisions pursuant to Article 1, paragraph 1 of Ministry of Justice Decree 30 March 2000, no. 162 and with the regulations in force relating to gender balance.

If more candidates have obtained the same quotient, the candidate in the list who has not elected any Auditor or has elected less Auditors shall be elected.

If none of these list has still elected any Auditor or all of them have elected the same number of Auditors, the candidate of the list that has obtained the highest number of votes shall be elected. In case of equal votes and quotient, a new voting shall be held, electing the candidate by simple majority.

In case of replacement of one of the Auditors taken from the list that has obtained the highest number of votes, the first Alternate Auditor, taken from the same list, shall be appointed; if such replacement does not allow for a composition of the Board of Statutory Auditors in compliance with the regulations in force on gender balance, the second Alternate Auditor, taken from the same list, shall be appointed. In case of replacement of the Auditor taken from the other lists, the Alternate Auditor elected under Article 16.3., letter b) of the Articles of Association shall be appointed.

If this latter mechanisms does not ensure compliance with the regulations in force on gender balance, the General Meeting shall be convened without delay to ensure compliance with these regulations. In any case,

the General Meeting under Article 2401, paragraph 1 of the Civil Code shall replace the Auditor based on the principle of necessary minority representation and in compliance with the regulations in force on gender balance.

The Chairman of the Board of Statutory Auditors is appointed by the General Meeting and shall be the Standing Auditor elected by the minority, unless only one list was presented or no lists were presented; in this case, the Chairman of the Board of Statutory Auditors shall be appointed by the General Meeting with the majority provided by the law.

#### 4.5.2 COMPOSITION

The Company's current Board of Statutory Auditors was appointed by the Ordinary General meeting on 15 April 2014.

The following table shows the members of the Board of Statutory Auditors in office during 2015.

##### *Composition of the Board of Statutory Auditors in 2015*

Members	Office
Giacinto Sarubbi	Chairman
Renato Righetti	Standing Auditor
Maria Enrica Spinardi	Standing Auditor
Giorgio Mosci	Alternate Auditor
Daniela Rosina	Alternate Auditor
Fabrizio Riccardo Di Giusto	Alternate Auditor

2 lists were submitted to the General Meeting on 15 April 2014 for the appointment of the Board of Statutory Auditors.

The Standing Auditors Renato Righetti and Maria Enrica Spinardi, and the Alternate Auditors Giorgio Mosci and Daniela Rosina were taken from the majority list submitted by Finmeccanica Società per Azioni, which held a shareholding equal to 40.066% of the share capital, and obtained a number of votes equal to 70,22% of the voting capital.

The Chairman of the Statutory Board of Statutory Auditors, Giacinto Sarubbi, and the alternate Statutory Auditor Fabrizio Riccardo Di Giusto were taken from the minority list presented by AcomeA SGR, which was the fund manager of AcomeA Italia, AcomeA Europa and AcomeA Globale; Anima Sgr S.p.A. which was the fund manager of Anima Geo Italia and Anima Italia; Arca SGR S.p.A. which was the fund manager of Arca Azioni Italia and Arca BB; Eurizon Capital SGR S.p.A. which was the fund manager of Eurizon Azioni Internazionali, Eurizon Azioni Area Euro, Eurizon Azionario Internazionale Etico, Eurizon Azioni Europa, Eurizon Azioni Italia, Eurizon Azioni PMI Europa and Malatesta Azionario Europa; Eurizon Capital SA which was the fund manager of EEF – Equity Europe, EEF – Equity Italy, EEF – Equity Italy LTE and EEF – Equity Small Cap Europe; Fideuram Investimenti SGR S.p.A. which was the fund manager of Fideuram Italia; Fideuram Gestions SA which was the fund manager of Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav which was the fund manager of Interfund Equity Italy; Pioneer Asset Management SA which was the fund manager of Pioneer Funds, Italian Equity and Pioneer Investment Management SGR S.p.A. which was the fund manager of Pioneer Italia Azionario Crescita. These companies, put together, held a shareholding equal to 1.45% of the Company's share capital, whose winning votes amounted to 8.16%<sup>1</sup> of the voting capital. The shareholders who submitted the minority list certified that they have no connection with Finmeccanica Società per Azioni, as provided for under Article 144-*quinquies* of the Issuers' Regulation.

The term of office of the members of the Board of Statutory Auditors will expire at the General meeting called to approve the Financial Statements as at 31 December 2016.

The Board of Statutory Auditors verified that the Auditors possess the independence requirements under the applicable law and Article 8.C.1 of the Code, as already represented by the same Auditors upon their appointment. The independence requirements were verified again on 9 December 2014, and, lastly, on 2 February 2016.

Moreover, no member of the Board of Statutory Auditors has notified the existence of any interests held, on his/her behalf or on that of third parties, in any of the Company's transactions.

Below you can read the personal and professional information about each member of the Board of Statutory Auditors.

#### **GIACINTO SARUBBI**

Born in Milan on 8 January 1963, he graduated in Economy. He is qualified to exercise the profession as a Certified Auditor and Accounting Professional in the register of Milan and is enrolled in the Register of Auditors (Ministerial Decree of 12 April 95, published in the Official Journal No. 31 *bis* of 21 April 1995).

As the owner of his professional firm and as a partner and Chief Executive Officer of leading international companies dealing with the audit and business consulting fields, he has carried out activities relating to tax and corporate advice, business organization and industrial accounting for various corporations, also operating at international level.

In addition to the office held in Ansaldo STS, he is currently Chairman of the Board of Statutory Auditors, Auditor and Chairman of the Board of Directors in other companies.

#### **RENATO RIGHETTI**

Born in Rome on 4 December 1946, he graduated in Law at the University of Rome. He became a Registered Auditor under the Ministerial Decree of 12 April 1995 published under the Official Journal no. 31 *bis* of 21 April 1995. From 1990 to 1994, he was a Manager at the Italian Exchange Office and, until 2008, he was in charge of domestic and international anti-laundering activities under the responsibility of the Central Bank. From 1995 to 1998 he was a member of the team of financial experts in the Committee for Coordination of Information Services; he was a representative for the Central Bank in the Greco Commission, set up at the Ministry of Justice for the recovery of legal costs, for two years. From 2001 to 2008 he took part of the Financial Security Committee set up at the Ministry of Economy and Finance to fight money laundering and terrorism financing. In 2009 and 2010 he was appointed by the Governor to coordinate consulting activities concerning financial crimes conducted, for the Public Prosecutor's Office of Milan, by a team of experts from the Bank of Italy. Since 1995 he has been an anti-money laundering consultant for the Judiciary and Parliamentary Commissions.

#### **MARIA ENRICA SPINARDI**

Born in Turin on 14 July 1960, she graduated with honours in Economics from the University of Turin. Since 1996 he has been enrolled in the Roll of Auditors.

From 1983 to 1985 she held the role of internal auditor in Olivetti S.p.A. From 1985 she became an auditor in a leading auditing company. From 2001 to 2012 he was an partner in a leading auditing firm. She is a member of the Board of Statutory Auditors of Unicredit S.p.A. and other industrial companies. She held the office of liquidator in Webasto Product Italy S.p.A.

She currently provides consulting and auditing services.

He is a member of the Scientific Committee of the Auditing, Accounting & Control Master's Degree at School of Business Administration (SAA) of Turin.

#### **GIORGIO MOSCI**

Born in Genoa on 17 May 1958, he graduated in Economics from the University of Genoa. Since 1982 he has been a member of the Genoa Chartered Accountants Institute. He is also registered in the Auditors' Roll since its establishment.

In 1987 he joined the Ernst & Young Group, where he was Partner from 1993 to 2013, and later became a freelance professional.

As part of his audit work, he provides business consultancy services which are closely linked to his auditing work, such as, for example, in relation to company economic evaluations, service and accounting organisation.

Between 2003 and 2005 he was Visiting Professor at the Faculty of Economics of Genoa for the postgraduate "Auditing" course.

Currently he holds the position of Chairman of the Board of Directors of Italcementi SpA and Haier A/C (Italy) Trading S.p.A. as well as Statutory Auditor of Ansaldo Energia S.p.A. and Bombardier Transportation Italy S.p.A. He is also alternate Statutory Auditor of Ansaldo STS S.p.A., Beni Stabili S.p.A. and is member of the Board of Directors in Giglio Group S.p.A.

#### **DANIELA ROSINA**

Born in Genoa on 10 May 1958, she has been enrolled in the Register of Certified Public Accountants and Accounting Experts of Genoa since 1983. She is an Auditor of Accounts (and entered in the Roll of Auditors).

She acts as a court-appointed expert to evaluate business complexes, as trustee in bankruptcy, legal commissioner and liquidator in the context of voluntary winding up proceedings.

Currently she holds positions as Director, Standing Auditor, Auditor and member of the Advisory Boards for important industrial companies, including listed companies.

#### **FABRIZIO RICCARDO DI GIUSTO**

Born in Collecchio (RI) on 20 June 1966, he graduated in Economics from the University of Rome "La Sapienza" in 1994. He qualified as a chartered accountant in 1995, and since 1999 he has also been enrolled in the Roll of Auditors. In 1997 he obtained a Master's Degree in "Labour Law" at the University of Rome "Tor Vergata".

From 1994 to 2002 he was firstly an Associate and then Of Counsel at Studio Professional Legale e Tributario "Palandri" in Rome.

From 2002 to 2007 he was a manager at the Local Health Authority "ASL RM B".

Currently he has his own tax consulting Professional, administrative, commercial and financial firm in Rome.

#### **4.5.3 MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND ATTENDANCE RATES AT THE BOARD OF DIRECTORS' MEETINGS**

11 meetings were held during the Financial Year. All absences were justified.

6 meetings have been planned for 2016. Since early 2016 to the date of this Report, 4 meetings have been held.

In 2015, the meetings of the Board of Statutory Auditors of Ansaldo STS lasted on average for about two hours.

The table below reports the data concerning the attendance rates of each Auditor at the meetings of Auditors, as well as at the meetings of the Board of Directors held in 2015:

Members	Board of Statutory Auditors		Board of Directors	
	Attendance / Nr. of meetings	Attendance %	Attendance / Nr. of meetings	Attendance %
Giacinto Sarubbi (Chairman)	11/11	100%	18/18	100%
Renato Righetti	11/11	100%	18/18	100%
Maria Enrica Spinardi	10/11	91%	17/18	94.4%

#### **4.5.4 ROLE AND DUTIES**

Pursuant to Legislative Decree no. 39 of 27 January 2010 ("implementation of Board Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Board Directives 78/660/EEC and

83/349/EEC and repealing Board Directive 84/253/EEC”), the Board of Statutory Auditors shall supervise, *inter alia*, the statutory audit of annual accounts and consolidated accounts and the independence of the audit firm, particularly with respect to the performance of services other than audit to the entity that is subject to the statutory audit of accounts.

In particular, in carrying out its activity, the Board: (i) supervised the independence of the auditing firm, verifying both compliance with the relevant legal provisions, as well as the nature and entity of the services, other than audits, provided to the same Company and its subsidiaries by the auditing firm and the entities belonging to its network; (ii) coordinated with the Internal Audit department and with the Control and Risk Committee for the performance of its activity through specific meetings; (iii) at the meetings held on 6 March 2015, 3 June 2015, 30 October 2015 and 2 February 2016, the Board adopted the reports on the quarterly audits carried out by the auditing firm pursuant to Article 19 of Legislative Decree No. 39/2010 and the CONSOB notice No. 23932 of 29 March 1999, aimed at ascertaining that the corporate accounts were regularly kept and the management events were duly entered in the accounting records.

Following the appointment of the Board of Directors on the basis of the statements made by the Directors and having taken into account the evaluations of the Board, the Board of Statutory Auditors certified, at the meeting held on 13 November 2015, that the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its own members were correctly applied.

Such certificate was issued, moreover, on 9 December 2015 in connection with the criteria and procedures adopted by the Board of Directors for assessing the independence of Mr. Garraffo, who was co-opted on 25 November 2015.

## **4.6 PROCESSING OF CONFIDENTIAL INFORMATION**

### **4.6.1 PRIVILEGED INFORMATION REGULATION AND ESTABLISHMENT OF THE REGISTER**

The management and disclosure of confidential information and the establishment and updating of the Register of persons who have access to confidential information is regulated by two distinct internal procedures approved by the Company's Board of Directors on 11 February 2015.

Such procedures, which were adopted in order to ensure a more effective and efficient regulation of the manner in which the Company's confidential information (even of a privileged nature) is handled and processed, have replaced the Internal Regulations adopted by the Company's Board of Directors on 24 March 2006 in connection with both the management and processing of privileged information and the setting up of a register of people who have access to such information.

In particular, the Board of Directors, also in the light of the practical experience accrued up until the present date, has considered it appropriate to:

- Describe in more detail and simplify, in two separate procedures (including these rules), the rules concerning the establishment and updating of the Register of persons who have access to confidential information, as well as those concerning the handling and disclosure of confidential information (also outside the Company );
- Describe in more detail the roles and duties of the corporate functions involved both in establishing and updating the Register, as well as in managing it.

In particular, the new Procedure for managing and disclosing confidential information aims to ensure Ansaldo STS' compliance with its obligations as a listed company, regulating:

- the information flow between the Group companies and Ansaldo STS, especially with respect to the events and circumstances that form, or might form privileged information under Article 181 of the TUF;

- the management and processing of privileged information as well as the relevant ways of disclosing it to the public.

The new procedure for establishing and updating the Register of persons with access to confidential information is aimed, instead, at ensuring the Company's fulfilment of its obligations as a listed company, regulating the method of keeping and regular updating of the "*Register of persons with access to inside information*" pursuant to Article 115-bis TUF.

As concerns Ansaldo STS and its subsidiaries, pursuant to the provisions of Article 152-*bis*, paragraph 4 of the Issuers' Regulation and in order to streamline the processes, a single register (so-called "Group Register") has been established, which is directly managed by Ansaldo STS, to fulfil the relevant obligation both for Ansaldo STS and for all its subsidiaries. The provisions of the Regulation regarding subsidiaries are therefore aimed at regulating the processing of privileged information as well as the requirements to be met by the companies in order to allow Ansaldo STS to correctly and timely acquire the necessary elements to ensure that the Group Register is correctly and duly kept. The General Counsel of Ansaldo STS, has been appointed as the person in charge of keeping the Group Register. The substitute person, in case of absence or impediment, is an employee belonging to the Company's Corporate Affairs & Group Insurance function, identified by the Compliance Officer. The procedures set out above are available on the Company's website <http://www.ansaldo-sts.com/en/governance/governance-system>.

#### **4.6.2 INTERNAL DEALING CODE**

As part of the procedures for the management and transmission of information relating to the Company, on 24 March 2006, the Board of Directors adopted the Code of Conduct for Internal Dealing Matters ("*Internal Dealing Code*"), to regulate the information flow relevant to transactions identified by Consob concerning the shares issued by the Company or other connected financial instruments (known as relevant transactions) and conducted, also by proxy, by the "relevant persons" of the Company or by "persons closely associated" to the latter, as defined by Article 152-*sexies* of the Issuers' Regulation.

The *Internal Dealing Code* also contains so-called "*Blocking periods*" during which it is expressly forbidden for relevant persons to carry out relevant transactions.

Such "*Blocking Periods*" have been identified as:

- the 15-day period preceding approval by the Board of Directors of the draft Financial Statements, the half-yearly report and the quarterly reports, up to the moment that the press release concerning the resolutions adopted by the Board is disclosed to the market;
- any other periods in which the Board, or in case of urgency its Chairman and/or the Chief Executive Officer, separately and/or jointly decide to prohibit or restrict the Relevant Transactions.

The *Internal Dealing Code* is available on the Company website at [http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadpage/asts\\_Internal\\_Dealing\\_eng.pdf](http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadpage/asts_Internal_Dealing_eng.pdf)

#### **4.7 GENERAL MEETING**

In calling, planning and managing general meetings, particular attention is given to encouraging maximum attendance by the Shareholders, as well as to ensure that they receive as much information as possible in those circumstances, in compliance with the restrictions and disclosure procedures concerning price sensitive information.

General Meetings are called by a meeting notice published on the Company's website ([www.ansaldo-sts.com](http://www.ansaldo-sts.com)) as well as by means of a summarised version in at least one national daily newspaper.

The notice of call must be published at least 30 days before the date of such meeting, except for meetings called to (i) appoint members of the corporate bodies, for which a period of 40 days is required; (ii) resolve on defensive measures in case of an initial public offer, in which case the period is reduced to 15 days; and (iii) resolve on the reduction of the share capital and the appointment of the liquidator, in which case the term is of 21 days.

The ordinary General Meeting shall be called at least once a year to approve the financial statements, within 120 days of the end of the financial year, or within 180 days if the Company must prepare consolidated financial statements, or whenever particular needs relating to the Company structure and purpose so require. Ordinary and extraordinary meetings are normally held in a single call. However, if the Board of Directors deems it appropriate and specifically indicates so in the meeting notice, it may decide to hold separate meetings.

The Meeting may be attended by those, in favour of whom the company has received notification from a qualified intermediary attesting the ownership of the shares based on the accounting records at the close of trading of the seventh market trading day prior to the date of first notice of the Meeting. Any debit and credit entries recorded after that date shall give no voting entitlements. An assignee who has purchased shares after such date but before the beginning of the Meeting shall be considered absent and therefore entitled, if the relevant conditions are met, both to file an action for annulment of the meeting resolution and to exercise the right of withdrawal.

Those entitled to participate and vote in the Meeting may appoint a representative by proxy conferred in writing or by electronic means pursuant to Article 21, subsection 2 of Legislative Decree no. 82 of 7 March 2005.

The proxy may be transmitted to the Company by electronic media, using the specific section in the Company website or by certified electronic mail, according to the procedures indicated, case by case, in the meeting notice. The Company keeps a proxy form for representation at each Meeting at the disposal of the persons entitled.

In order to make it easier to collect proxies from Shareholders who are employees of the Company or its subsidiaries and members of Shareholders' associations who comply with the requirements under the applicable laws, the Articles of Association state that premises may be made available to such associations, according to the terms and formalities arranged with their legal representatives on a case-by-case basis, to be used for providing information about the proxies and collecting them.

Moreover, pursuant to Article 135-*undecies* TUF, for each General Meeting, the Company appoints a party, the so-called "appointed representative", that persons entitled to vote may entrust with a proxy, at no cost to them, including voting instructions for all items on the agenda. In this regard, in fact, in order to further encourage attendance at Meetings, Ansaldo STS decided not to exclude in the Articles of Association, under the same Article 135-*undecies* TUF, the appointment of the representative.

Pursuant to the new Article 127-*ter* TUF, the shareholders are entitled to ask questions on the items of the agenda even before the Meeting. Questions received before the Meeting shall be answered during the same at the latest. The notice of call includes the deadline by which the Company must receive the questions asked before the meeting. This deadline may not be earlier than three days before the date of the single or first meeting convened, or no earlier than five days if the Meeting notice states that the Company must answer any questions it receives before the General Meeting. In that case, answers shall be given at least two days before the meeting, also published in a specific section of the Company's website. If the relevant information relating to a question is already available in the "FAQ" section of the Company's website or if the answer has been published on its website, the answer is considered to be given. The answers provided on paper at the disposal of all those entitled to vote at the start of the actual Meeting are considered as being given during the Meeting.

As to the regulations governing Meeting proceedings, at the Meeting of 12 December 2005 the Shareholders approved a Meeting Regulation, subsequently amended at the Ordinary General meeting on 5 April 2011 in order to align it with the new provisions of the law and the Articles of Association regarding the right of shareholders introduced by Legislative Decree No. 27/2010. Such Regulation defines the procedures allowing the orderly and functional proceedings of meetings, ensuring that each shareholder is able to speak on items on the agenda, and at the same time specifying certain aspects (maximum duration of the speeches; voting procedure and conduction of voting operations, etc.) aimed at making sure the meeting business is conducted correctly. In particular, it is specified that anyone who wishes to speak shall request permission from the Chairman or – if indicated by the Chairman– from the Secretary, by submitting a written request indicating

which item the request refers to, after the items on the agenda have been read out. All shareholders receive a copy of the Regulations for General meetings at each meeting, and they are also available on the Company's website at [http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadpage/asts\\_regulations\\_shareholders\\_meetings\\_eng\\_0.pdf](http://www.ansaldo-sts.com/sites/ansaldosts.message-asp.com/files/downloadpage/asts_regulations_shareholders_meetings_eng_0.pdf)

The Board reports to the General meeting on the activity carried out and planned at least on occasion of the approval of the annual financial statements, and at any rate, whenever it so deems appropriate. In order to allow the shareholders to knowingly take the decisions for which the meeting is competent, the Board publishes detailed reports on each item on the agenda (for those items that are under its responsibility). Such reports are also available on the Company website at <http://www.ansaldo-sts.com/en/governance/shareholder-meeting/documents-meeting>.

4 of 9 Directors attended the General Meetings held on 23 April 2015 and on 2 November 2015.

Except as described in paragraph 2.3 above, there were no significant changes during 2015 in the market capitalisation of the shares or in the composition of its shareholding.

#### **4.8 INVESTOR RELATIONS**

In order to establish an ongoing and professional relationship with most of the Shareholders and the institutional investors, as recommended by the Code, a specific "*Investor Relations*" corporate department has been set up.

The department reports directly to the Chief Financial Officer and, since 1 June 2013, is headed by Mr. Roberto Corsanego.

Investor Relations has ongoing relations with the financial community in order to understand its needs for information and to support top management in their communication strategy.

The primary goal is to keep up ongoing communications with the Italian and international financial community, providing prompt and transparent sensitive market information and guaranteeing a correct rating of the Company, consistent with the business model, the strategies and the set goals.

Several surveys addressed to interlocutors have confirmed the overall positive impression of the work of the Investor Relations team, recognised as the primary point of reference between the Company and the financial community. The outstanding knowledge of the market, of the business model and the Company's strengths and weaknesses, shown by the Manager of Investor Relations during meetings, was also appreciated.

The office is recognized for its creativity, availability and quality of the information material produced by it.

Financial analysts are considered to be the main stakeholders, since they are essential for understanding the Company's environment, its business and the strategic line adopted by the Management.

The Company has gone from being hedged by 13 merchant banks in 2014 to 10 merchant banks in 2015, not least as a result of the announcement given on 24 February 2015 concerning the sale of Finmeccanica's 40% stake to Hitachi and the subsequent compulsory takeover bid on Ansaldo STS shares by the latter.

Some provide periodic sector-related research and analysis on competitors, which the Investor Relations Department collects, studies and disseminates internally, along with the official communications from the markets.

On a quarterly basis before the release of the financial results, the IR office requests brokers, who hedge the Company stock, for the last update of their forecasts for the Company's main economic/financial indicators, calculating the average values thereof.

The "*consensus request*" in aggregated form is, therefore, returned to the broker, who can then compare feedback with his forecasts.

This means for the Company that it has an accurate update on the "*sell side*" analysts' perception, which Management discusses and reflects on.



Since 2014, the Investor Relations Department, while maintaining unchanged its staff and the intrinsic quality of its activities, has with a view to supporting the Management, taken over the task of monitoring and analysing the market and the competitive scenario.

In addition to the usual daily focus on market "*rumours*" and the weekly distribution of the information thus collected, the office has the task of conducting an in-depth analysis and giving regularly updates on competitors' progress, the markets and the main fields of study.

Notwithstanding the particular tools that the Company has acquired - in compliance with statutory provisions for the dissemination, storage and filing of regulated information - the website, in 2015, opened a page in the IR section dedicated to the Compulsory Takeover Bid launched by Hitachi Rail Italy Investments S.r.l. on all the Ansaldo STS shares. This remains the main tool for disseminating financial information to stakeholders.

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For the Board of Directors

The Chairman

(Alistair Dormer)

**TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURES**

<b>STRUCTURE OF THE COMPANY'S SHARE CAPITAL</b>				
	No. Of shares	% with respect to the share cap.	Listed (indicate the markets)/not listed	Rights and obligations
Ordinary shares	200,000,000	100	Listed MTA Star	Right to vote in ordinary and extraordinary meetings, right to dividend and to refund of capital in case of liquidation
Multiple-voting shares	-	-	-	-
Limited-voting shares	-	-	-	-
Non-voting shares	-	-	-	-
Others	-	-	-	-
<b>OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe newly-issued shares)</b>				
	Listed (indicate the markets)/not listed	No. of circulating instruments	Class of shares at the service of conversion/exercise	No. of shares at the service of conversion/exercise
Convertible bonds	-	-	-	-
Warrants	-	-	-	-
<b>SIGNIFICANT INVESTMENTS IN THE CAPITAL</b>				
Declarant	Direct Shareholder	% Share of Ordinary Capital	% Share of Voting Capital	
HITACHI Ltd.	HITACHI RAIL ITALY INVESTMENTS S.R.L.	40.066%	40.066%	
UBS GROUP AG	UBS SWITZERLAND AG UBS ASSET MANAGEMENT (AUSTRALIA) LIMITED UBS AG UBS ASSET MANAGEMENT TRUST COMPANY	5.327% <sup>(1)</sup>	5.327% <sup>(1)</sup>	
AMBER CAPITAL UK LLP	AMBER CAPITAL UK LLP	2.381%	2.381%	

SINGER PAUL E. (in his capacity of <i>General Partner</i> of The Liverpool Limited Partnership e Elliott International, L.P.)	THE LIVERPOOL LIMITED PARTNERSHIP ELLIOTT INTERNATIONAL, L.P.	10.022% <sup>(2)</sup>	10.022% <sup>(2)</sup>
Old Mutual plc	ACADIAN ASSET MANAGEMENT LLC	2.970%	2.970%

(1) Of which 1.533% non-voting shares.

(2) Shareholding of which the Company gave notice on February 12, 2016, pursuant to Article 120 of the TUF and Article 117 of the Issuers' Regulation. It must be pointed out that, on 26 January 2016, Mr. Paul E. Singer, acting directly and indirectly as general partner of the limited partnerships Elliott International, LP Elliott Associates, LP and The Liverpool Limited Partnership, informed the Company, pursuant to Article 120 of the TUF and Article 119 of the Issuers' Regulation, of an overall long position corresponding to 10.063% of the Company's share capital, comprising (i) The shareholding communicated pursuant to Article 117 and Article 118 of the Issuers' Regulation, which amounted to 1.877% of the share capital; (ii) Other long positions communicated pursuant to Article 119, paragraph 2, of the Issuers' Regulation, amounting to 8.186% of the share capital.

**TABLE 2: BOARD OF DIRECTORS AND INTERNAL COMMITTEES STRUCTURE IN 2015**

Board of Directors													Control and Risk Committee		Nomin & Remun. Committee		Executive Committee, if any		Other Committee, if any		
Office	Members	Year Of Birth	Date of First Appointment *	In office since	In office until	List (M/m) **	Exec.	Non-exec.	Indep. According to Code	Indep. According to TUF	Number of the office ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	
Chairman	<b>ALISTAIR DORMER</b>	1963	2 November 2015	2 November 2015	General Meeting approving 2017 Financial Statement	M	X <sup>(1)</sup>	-	-	-	-	5/5	-	-	-	-	-	-	-	-	-
Deputy Chairman <sup>(2)</sup>	<b>KAREN BOSWELL</b>	1963	2 November 2015	2 November 2015	General Meeting approving 2017 Financial Statement	M	-	X	-	-	-	5/5	-	-	-	-	-	-	-	-	-
CEO • ◊	<b>STEFANO SIRAGUSA</b>	1976	1 January 2014 <sup>(3)</sup>	2 November 2015	General Meeting approving 2017 Financial Statement	M	X	-	-	-	-	18/18	-	-	-	-	-	-	-	-	-
Director	<b>GIOVANNI CAVALLINI</b>	1950	5 April 2011	2 November 2015	General Meeting approving 2017 Financial Statement	m	-	X	X	X	1	18/18	P	10/10	- <sup>(4)</sup>	- <sup>(5)</sup>	-	-	-	-	-
Director	<b>BRUNO PAVESI</b>	1941	30 March 2012 <sup>(6)</sup>	2 November 2015	General Meeting approving 2017 Financial Statement	M	-	X	X	X	-	18/18	M	2/2	M <sup>(7)</sup>	7/7	-	-	-	-	-

<b>Director</b>	<b>GIULIO GALLAZZI</b>	1964	15 April 2014	2 November 2015	General Meeting approving 2017 Financial Statement	m	-	X	X	X	-	18/18	-	-	p <sup>(8)</sup>	6/7	-	-	-	-
<b>Director</b>	<b>ALESSANDRA PICCININO</b>	1962	9 November 2015 <sup>(9)</sup>	9 November 2015	Next General Meeting	-	-	X	X	X	1	4/4	-	-	M	1/1	-	-	-	-
<b>Director</b>	<b>PAOLA GIANNOTTI</b>	1962	2 November 2015	2 November 2015	General Meeting approving 2017 Financial Statement	m	-	X	X	X	-	5/5	M	2/2	-	-	-	-	-	-
<b>Director</b>	<b>MARIO GARRAFFO</b>	1937	25 November 2015 <sup>(10)</sup>	25 November 2015	Next General Meeting	-	-	X	X	X	3	3/3	-	-	-	-	-	-	-	-

**DIRECTORS WHO LEFT OFFICE DURING THE FINANCIAL YEAR IN QUESTION**

Office	Members	Year of Birth	Date of First Appointment *	In office from	In office until	List (M/m) **	Exec .	Non - exec .	Indep. accord ing to Code	Inde p accord ing to TUF	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	
Chairman	SERGIO DE LUCA	1950	14 June 2007 <sup>(11)</sup>	15 April 2014	30 October 2015	M	X <sup>(12)</sup>	-	-	-	12/13	-	-	-	-	-	-	-	-	
Deputy Chairman	DOMENICO BRACCIALARGHE	1954	1 October 2014 <sup>(13)</sup>	1 October 2014	2 November 2015	-	-	X	-	-	10/13	-	-	-	-	-	-	-	-	
Deputy Chairman	RYOICHI HIRAYANAGI	1959	2 November 2015	2 November 2015	20 November 2015	M	-	X	-	-	2/2	-	-	-	-	-	-	-	-	
Director	ALESSANDRA GENCO	1973	15 April 2014	15 April 2014	2 November 2015	M	-	X	-	-	13/13	-	-	-	-	-	-	-	-	
Director	PAOLA PIERRI	1960	15 April 2014	15 April 2014	2 November 2015	M	-	X	X	X	12/13	M	8/8	-	-	-	-	-	-	
Director	BARBARA POGGIALI	1963	15 April 2014	15 April 2014	3 November 2015	m	-	X	X	X	13/13	M	8/8	-	-	-	-	-	-	
<b>No. of meetings held during the year in question:</b>				Board of Directors: <b>18</b>				Risk Committee: <b>10</b> Control			Nominati on and Remuner ation Commite e: 7			Executive Committee: N.A.			Other Committee: N.A.			

## NOTES

- The symbols listed below must be entered in the "Office" column:
- This symbol indicates the Director in charge of the internal control and risk management system.
  - ◊ This symbol indicates the principal officer of the issuer's management (Chief Executive Officer or CEO).
  - \* The date of first appointment of each director shall mean the date on which the said director was appointed for the first time (ever) in the Issuer's Board of Directors.
  - \*\* This column indicates M/m depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).
  - \*\*\* This column indicates the number of offices held by the relevant person as Director or Auditor in other companies listed in domestic and foreign regulated markets, or in financial, banking or insurance companies or in large companies. In the report on corporate governance, the positions are indicated in full. As regards Directors who resigned during the year in question, the indicated assignments must be construed as referring to the date of termination.
  - (\*) This column indicates the attendance rate of Directors in the meetings, respectively of the Board of Directors and the Committees (no. of meetings attended/held during the actual period of office of the relevant director).
  - (\*\*) This column shows the status of the Director within the Committee: "P": President; "M": member
- (1) Mr. Alistair Dormer, as Chairman of the Board of Directors is considered - even if he did not receive any specific delegation from the Board and, therefore, does not perform any executive role within the Company – an executive director by virtue of the positions held in the Hitachi Group.
- (2) Ms. Karen Boswell was appointed Deputy Chairman of the Company's Board of Directors at the Board Meeting held on 25 November 2015, in order to replace Mr. Ryoichi Hirayanagi.
- (3) Co-opted by the Board of Directors on 11 December 2013, with effect from 1 January 2014, in order to replace Mr. Grasso.
- (4) From 1 January 2015 to 2 November 2015 Mr. Giovanni Cavallini was member of the Nomination and Remuneration Committee.
- (5) From 1 January 2015 to 2 November 2015, Mr. Cavallini, in his capacity of member of the Nomination Committee and Remuneration Committee, attended 5 out of 6 meetings.
- (6) Co-opted by the Board of Directors of 30 March 2012, in replacement of Director Filippo Milone.
- (7) From 1 January 2015 to 2 November 2015, Mr. Pavesi held the position of Chairman of the Nomination and Remuneration Committee.
- (8) From 1 January 2015 to 2 November 2015, Mr. Gallazzi held the position of member of the Nomination Committee and Remuneration Committee.
- (9) Co-opted by the Board of Directors at the Board Meeting held on 9 November 2015, in order to replace Ms. Barbara Poggiali.
- (10) Co-opted by the Board of Directors at the Board Meeting held on 25 November 2015, in order to replace Mr. Ryoichi Hirayanagi.
- (11) Co-opted by the Board of Directors at the Board Meeting held on 14 June 2007. On 11 December 2013, Mr. De Luca resigned as Chief Executive Officer and was appointed Chairman of the Board of Directors with effect from 1 January 2014.
- (12) As Chairman of the Board of Directors, Mr. De Luca has no operational powers. He has been, however, considered an Executive Director, pursuant to the provisions of the Corporate Governance Code, since, from 1 January 2014, he has held the position of Chief Operating Officer of Finmeccanica S.p.A., which directed and coordinated Ansaldo STS.
- (13) Co-opted by the Board of Directors on 1 October 2014, in order to replace Mr. Luigi Calabria, who was Director and Deputy Chairman from 1 January 2014 until 1 October 2014.

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors									
Office	Members	Year of Birth	Date of First Appointment*	In office since	In office until	List **	Indep. Code	Attendance of Board of Statutory Auditors' Meetings ***	N. other appointments ****
Chairman	<b>GIACINTO SARUBBI</b>	1963	1° April 2008	15 April 2014	General Meeting approving 2016 Financial Statement	m	X	11/11	6
Standing Auditor	<b>RENATO RIGHETTI</b>	1946	5 April 2011	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	11/11	1
Standing Auditor	<b>MARIA ENRICA SPINARDI</b>	1960	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	10/11	8
Alternate Auditor	<b>GIORGIO MOSCI</b>	1958	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	N.A	6
Alternate Auditor	<b>DANIELA ROSINA</b>	1958	15 April 2014	15 April 2014	General Meeting approving 2016 Financial Statement	M	X	N.A	11
Alternate Auditor	<b>FABRIZIO RICCARDO DI GIUSTO</b>	1966	15 April 2014	15 April 2014	General Meeting approving 2016 Financial	m	X	N.A	2



					Statement				
<b>Quorum required for the presentation of lists by minority shareholders for the election of one or more members (pursuant to Article 148 of the TUF): The quorum established by Consob for the presentation of the lists to the General Meeting held on 15 April 2014 was 1%. This quorum was confirmed by Consob for 2015 and for 2016.</b>									
<b>Number of meetings held during the financial year in question: 11</b>									

**NOTE**

\* The date of first appointment of each Statutory Auditor will mean the date on which the said auditor was appointed for the first time (ever) in the Issuer's Board of Statutory Auditors.

\*\* This column shows the slate from which each auditor was elected: "M": Majority List; "m": minority list.

\*\*\* This column indicates the attendance rate of Statutory Auditors in the Board of Statutory Auditors' meetings (no. of meetings attended/held during the actual period of office of the relevant auditor).

\*\*\*\* This column indicates the number of offices held by the relevant person as Director or Statutory Auditor pursuant to Article 148-bis TUF and relevant implementing provisions contained in the Consob Issuer's Regulations. The complete list of appointments is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.