

ANSALDO STS S.P.A.  
REGISTERED OFFICE IN GENOA, VIA PAOLO MANTOVANI 3 - 5  
SHARE CAPITAL EURO 100,000,000.00 FULLY SUBSCRIBED AND PAID IN  
REGISTRATION NUMBER IN THE COMPANY'S REGISTER OF GENOA AND TAX CODE 01371160662  
SUBJECT TO MANAGEMENT AND COORDINATION BY HITACHI LTD.

## **Ordinary General Meeting**

**13 May 2016**

*Report of the Board of Directors*

*drafted pursuant to Article 125-ter of Legislative Decree of 24 February 1998 no. 58 on the*

**fourth item on the agenda:**

### **"4. Appointment of the Board of Directors**

- 4.1 Determination of the number of members of the Board of Directors**
- 4.2 Determination of the term of office of the Board of Directors**
- 4.3 Appointment of the members of the Board of Directors**
- 4.4 Appointment of the Chairman of the Board of Directors**
- 4.5 Determination of the remuneration of the members of the Board of Directors"**

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Dear Shareholders,

the General Meeting of November 2<sup>nd</sup>, 2015 resolved that the Board of Directors of Ansaldo STS S.p.A. ("**Ansaldo STS**" or the "**Company**") shall be composed of 9 members and appointed the Board of Directors for three financial years, until the date of the General Meeting that will be called to approve the financial statements as of December 31<sup>st</sup>, 2017.

Following the resignations of five directors – Barbara Poggiali (on November 3<sup>rd</sup>, 2015), Ryoichi Hirayanagi (on November 20<sup>th</sup>, 2015), Karen Boswell, Alistair Dormer and Stefano Siragusa (on March 30<sup>th</sup>, 2016) – the majority of the directors appointed by the foregoing General Meeting ceased to hold office before the end of their term of office.

Pursuant to Article 16.8 of the Articles of Association "*[i]f the majority of the members of the Board of Directors resigns their office, the entire Board of Directors shall automatically be deemed to have resigned and the Directors still in office must promptly call a meeting of the shareholders to elect a new Board of Directors*".

Therefore, you are hereby called to appoint the new Board of Directors and, in particular, to: (4.1) determine the number of members of the Board of Directors; (4.2) determine the term of office of the Board of Directors; (4.3) appoint the members of the Board of Directors; (4.4) appoint the

Chairman of the Board of Directors and, finally, (4.5) determine the remuneration of the members of the Board of Directors.

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#### 4.1 Determination of the number of members of the Board of Directors

With reference to the determination of the number of Directors, we remind you that, pursuant to Article 16.1 of the Company's Articles of Association, the General Meeting, prior to appointing the Board of Directors, must determine the number of members of the Board, to be no less than seven and no more than thirteen.

The Board of Directors will refrain from drawing up specific proposals in this matter. Therefore, the Board invites you to determine the number of members of the Board of Directors, within the aforementioned limits, based on proposals that may also be drawn up by the Shareholders during the Meeting.

#### 4.2 Determination of the term of office of the Board of Directors

We would like to remind you that, pursuant to Article 16.2 of the Articles of Association, the directors are appointed for a period not exceeding three financial years. The Board of Directors will refrain from drawing up specific proposals in this matter, and therefore invites you to determine the term of office of the Board of Directors, within the aforementioned limits, based on proposals that may also be drawn up by the Shareholders during the Meeting.

#### 4.3 Appointment of members of the Board of Directors

The appointment of the Board of Directors of the Company will be in accordance with the provisions of Article 16 of the Articles of Association.

Please note that the Directors are appointed by the General Meeting based on slates submitted by the Shareholders, on which the candidates must be numbered in sequential order. Only Shareholders who, alone or together with other Shareholders, represent at least 1 % of the share capital of the company, are entitled to submit slates.

Each Shareholder may submit - alone or together with other Shareholders - one slate only, and may vote one slate only.

With specific regard to the preparation of the slates and the composition of the Board of Directors, we hereby recall the following provisions.

Each candidate may submit his or her name on only one slate, on pain of ineligibility.

The members of the Board of Directors must satisfy the requirements of integrity and professionalism as laid down by Article 17 of the Articles of Association.

Pursuant to Article 16.3, paragraph 3 of the Articles of Association, each slate must include two candidates who satisfy the independence requirements laid down by law (i.e. the independence requirements applicable to the auditors of listed companies pursuant to Article 148, para. 3 of Legislative Decree no. 58/98), specifying their names and placing one of them at the top of the slate.

Since Ansaldo STS S.p.A. is a listed company subject to management and coordination by another listed company, pursuant to Article 37 of *Consob* (Italian financial services authority) Resolution no. 16191 of 29<sup>th</sup> October 2007 (the “**Markets Regulation**”), the Board of Directors must be composed of a majority of Directors who satisfy the independence requirements laid down in para. 1, d) and para. 1-*bis* of the aforementioned Article 37, which also include the independence requirements provided for by Article 3 of the Corporate Governance Code promoted by *Borsa Italiana* S.p.A., to which the Company adheres.

Pursuant to Article 16.3, paragraph 3 of the Articles of Association, slates with three or more candidates shall also include candidates of different genders, to make sure that at least one third of the new Board of Directors will be composed by members of the less represented gender, rounded up to the higher figure in case of a fractional number. To this end, within the aforementioned slates, at least one third (rounded up to the nearest whole number) of the candidates must belong to the less represented gender and at least one of the candidates belonging to the less represented gender must be included in the first two places of the slate.

In accordance with the recommendations of the Corporate Governance Code, the Company's Board of Directors has approved its guidelines on the maximum number of offices as director or auditor that the Ansaldo STS Board of Directors' members may hold in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies or in large companies. This is to ensure that they are able to properly and effectively perform their duties as Director of the Company. These guidelines may be consulted on the Company's website at [www.ansaldo-sts.com](http://www.ansaldo-sts.com) in the section “Governance”.

The slates of candidates must be filed by the Shareholders within April 18<sup>th</sup>, 2016: (i) by hand delivery to the registered office of the Company, Via Paolo Mantovani, 3-5, 16151 Genoa, to the “*Corporate Affairs*” unit during regular office hours (Tel + 39 010 655/2277); (ii) by fax to the number +39 010 655/2055; or (iii) by certified email to [assemblea.ansaldosts@legalmail.it](mailto:assemblea.ansaldosts@legalmail.it). In all cases, adequate information will be required for the filing, in order to identify the person transmitting the slates. The slates will be then made available to the public by the Company, at least twenty-one days prior to the date of the General Meeting (i.e. by April 22<sup>nd</sup>, 2016), as provided by the rules in force.

The ownership of the minimum shareholding required for the presentation of the slates - as indicated above - is determined based on the shares that are registered in favour of the Shareholder on the day on which the slates are filed with the Company. However, the relevant certification may also be produced after the slate is filed, by means of notice issued by an authorised intermediary pursuant to the applicable rules - provided this is within the deadline envisaged for the publication of the slates by the Company (i.e. by April 22<sup>nd</sup>, 2016).

The slates must be filed along with the documentation and information required by the Articles of Association and by applicable rules. To this end, the following must be provided along with the slates: information relating to the identity of the Shareholders submitting them and the total percentage of shares held; the declarations by which the individual candidates accept their candidacy and certify, under their own responsibility, that no basis for ineligibility and incompatibility of office exists and that all the requirements provided for by the Articles of Association and by applicable rules relating to the office of Director of the Company are satisfied, as well as the *curricula vitae* of the candidates containing detailed information about the personal and professional qualities of the candidates. Candidates who are specified in the slate as being independent pursuant to law, must also file, under their own responsibility, declarations attesting that they satisfy the independence requirements provided for by law. In light of the provisions of

the aforementioned Article 37 of the Markets Regulation, the Shareholders are also invited to specify, within the slate, which candidates satisfy the independence requirements laid down by that article and to file, together with the slates, the declarations by which these candidate attest, under their own responsibility, that they satisfy the independence requirements provided for by Article 37 of the Market Regulation.

It should be noted that *Consob*, in its Communication no. DEM/9017893 of February 26<sup>th</sup>, 2009, has recommended that shareholders who submit a "minority slate" for the election of the administrative body should file - together with the slate - "*a declaration attesting the absence of the relationships or connections (direct or otherwise) - referred to in Article 147-ter, para. 3, of the Consolidated Finance Act (i.e. "TUF") and Article 144-quinquies of the Issuers Regulations - with shareholders who hold, also jointly, a controlling or majority participation, where identifiable on the basis of the notifications of significant shareholdings referred to in Article 120 TUF or based on the publication of shareholder agreements pursuant to Article 122 of the same Decree,*" specifying "*any existing relationships, if significant, with shareholders who hold (also jointly) controlling or majority participation, if identifiable, and the reasons why such relationships have not been considered decisive in showing the existence of the aforementioned relationships or connections, i.e. the absence of the aforementioned relationships and connections will have to be indicated*". Here, it should be noted that the controlling Shareholder of Ansaldo STS is Hitachi Ltd.

Still in reference to the preparation of the slates, it should be noted that, pursuant to Article 16.5, letter a) of the Articles of Association, if during the financial year one or more directors become inactive in office, then, provided the majority consists of directors appointed by the General Meeting, pursuant to Article 2386 Civil Code, the Board of Directors will appoint substitute directors from the same slate as the inactive directors - if applicable – choosing, as the case may be, a substitute who satisfies the independence requirements provided by the law and in compliance with applicable rules relating to gender balance; the General Meeting will resolve in accordance with the majorities laid down by law, in conformity with the same principles.

In relation to the mechanism for appointing the Board of Directors, the directors should be appointed as follows - pursuant to Article 16.3 of the Articles of Association:

- a) two-thirds of the directors to be appointed are drawn from the slate that has obtained the highest number of votes cast by those entitled to vote, in the sequential order in which they appear therein, with rounding down to the lower unit, in the case of a fractional number;
- b) the remaining directors are drawn from the other slates. To this end, the votes obtained from these slates are divided successively by one, two or three, depending on the progressive number of directors to be elected. The quotients thus obtained are assigned progressively to the candidates on each of these slates, in the order respectively envisaged by the said slates. The quotients thus attributed to the candidates on the various slates are arranged in decreasing order. Those who have obtained the highest quotients are elected.

It should be noted that, pursuant to Article 147-ter, third paragraph, of Legislative Decree no. 58/1998, at least one of the members of the Board of Directors is elected from the minority slate that has obtained the highest number of votes and is not connected in any way, including indirectly, with the shareholders who presented or voted on the slate with the highest number of votes.

If several candidates have obtained the same quotient, the candidate from the slate that has not yet resulted in the appointment of any director, or that has resulted in the appointment of the lowest number of directors, will be appointed.

If none of these slates has yet resulted in the appointment of a director or if all the slates have resulted in the appointment of the same number of directors, the candidate of the slate that has obtained the highest number of votes will be appointed. In the event of parity of slate votes and parity of quotient, a new vote will be taken by the entire General Meeting and the candidate who obtains a simple majority of votes will be appointed.

It should also be noted that if, as a result of the nomination procedure described above, there is a failure to appoint (i) the minimum number of independent directors required by applicable law and/or (ii) the minimum number of directors of the less-represented gender required by applicable rules relating to gender balance, the “sliding” mechanisms provided for respectively by Article 16.3, paragraph 8, letter c) and letter c-bis) of the Articles of Association shall apply, and reference is made thereto.

Finally, it should be noted that, if a single slate or no slate is presented, the General Meeting resolves in accordance with the majorities provided for by law, without resorting to the aforementioned procedure, but ensuring that the minimum number of independent directors is appointed, as required by law, and the applicable rules relating to gender balance are complied with.

In light of the foregoing, we therefore invite you to appoint the Board of Directors, voting for one of the slates of candidates for membership of the Board of Directors presented and published in accordance with the aforementioned provisions.

#### 4.4 Appointment of the Chairman of the Board of Directors

Pursuant to Article 18.1 of the Articles of Association, the General Meeting may appoint the Chairman of the Board of Directors. We thus invite you to appoint the Chairman of the Board of Directors.

#### 4.5 Determination of the remuneration of the members of the Board of Directors

Finally, we would like to remind you that, pursuant to Article 26.1 of the Articles of Association, you are called upon to decide the remuneration to be paid to the Board of Directors. Please note that the annual gross remuneration of each member of the Board of Directors currently holding office, as decided by the General Meeting resolution of November 2<sup>nd</sup>, 2016, was Euro 75,000/annum for the Chairman and Euro 50,000/annum for the other directors.

The Board of Directors refrains from making specific proposals in this regard and thus invites you to decide the remunerations of the members of the Board of Directors based on proposals which may also be drawn up by the Shareholders during the Meeting.

Genoa, 2 April 2016

For the Board of Directors

The Chairman

(Alistair Dormer)