

Ansaldo STS **A Hitachi Group Company**



2017 CONSOLIDATED NON-FINANCIAL DISCLOSURE

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METHODOLOGY AND REPORTING CRITERIA

Ansaldo STS Group (hereinafter also “the Group” or “Ansaldo STS”), has to comply with the Italian **Legislative Decree No 254 dated December 30th, 2016** (hereinafter referred to as “Decree 254”) *“Attuazione della direttiva 2014/95/UE del Parlamento europeo e del Consiglio del 22 ottobre 2014, recante modifica alla direttiva 2013/34/UE per quanto riguarda la comunicazione di informazioni di carattere non finanziario e di informazioni sulla diversità da parte di talune imprese e di taluni gruppi di grandi dimensioni”*. Indeed, Ansaldo STS Group is considered as a **public interest entity** (according to Article 16 sub.1 of Legislative Decree No 39 dated 27 January 2010) because of its number of employees, balance sheet total and net turnover according to criteria defined in the Article 2, sub.1 of the Decree 254.

This consolidated **Non-Financial Disclosure** (NFD) for Ansaldo STS Group as of December 31st, 2017 was therefore prepared in accordance to the above mentioned Decree 254/16, in order to ensure a deep understanding of Ansaldo STS activities, its performances, results and its impacts on environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters – specifically considering the Group activities and characteristics.

This consolidated Non-Financial Disclosure is a separated document from the Management Report and should be considered as part of its integration and completion documents.

This document is approved by the Board of Directors of Ansaldo STS S.p.A. on March 14, 2018.

The Non-Financial Disclosure is subject to verification by an independent company, EY S.p.A. (also in charge of reviewing Ansaldo STS Group's Financial Report), in accordance with the procedures established by current legislation. The audit was carried out according to the procedures indicated in the "Independent Auditors' Report", included at the end of this document.

The 2017 consolidated non-financial disclosure is available on the Group's website.

REPORTING SCOPE

The information detailed in this NFD refers to the companies included within the same line-by-line consolidation scope considered by the consolidated Financial Statements of the Group. For the environmental indicators only, the reporting scope coincides with the scope considered in the 2016 Sustainability Report of Ansaldo STS, which includes the most significant sites representing 91% of the Group size in terms of number of employees.

REPORTING STANDARDS

The reporting standard adopted by Ansaldo STS to prepare this NFD are the GRI Sustainability Reporting Standards issued in 2016 by GRI - Global Reporting Initiative. In particular, following the Standard GRI 101: Foundation, paragraph n.3, this document includes the references to the Reporting Standard listed below ("GRI-referenced").

GRI STANDARDS	GRI Disclosures	Description
GRI 102 - General Disclosure	GRI 102-1	<i>Name of the Organization</i>
	GRI 102-2	<i>Activities, brands, products and services</i>
	GRI 102-4	<i>Location of operations</i>
	GRI 102-8	<i>Information on employees and other workers</i>
	GRI 102-15	<i>Key impacts, risks, and opportunities</i>
	GRI 102-43	<i>Approach to stakeholder engagement</i>
	GRI 102-47	<i>List of material topics</i>
GRI 102-55	<i>GRI content index</i>	
GRI 103 - Management Approach 2016	GRI 103-2	<i>The management approach and its components</i>
GRI 205 – Anti-corruption	GRI 205-3	<i>Confirmed incidents of corruption and actions taken</i>
GRI 302 - Energy	GRI 302-1	<i>Energy consumption within the organization</i>
	GRI 302-3	<i>Energy intensity</i>
	GRI 302-4	<i>Reduction of energy consumption</i>
GRI 303 - Water	GRI 303-1	<i>Water withdrawal by source</i>
GRI 305 - Emissions	GRI 305-1	<i>Direct (Scope 1) GHG emissions</i>
	GRI 305-2	<i>Energy indirect (Scope 2) GHG emissions</i>
	GRI 305-4	<i>GHG emissions intensity</i>
	GRI 305-7	<i>Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions</i>
GRI 306 – Effluents and waste	GRI 306-2	<i>Waste by type and disposal method</i>
GRI 308 – Supplier Environmental Assessment	GRI 308-1	<i>New suppliers that were screened using environmental criteria</i>
GRI 401 - Employment	GRI 401-1	<i>New employee hires and employee turnover</i>
	GRI 401-2	<i>Benefits provided to full-time employees that are not provided to temporary or part-time employees</i>
GRI 402 - Labor management relations	GRI 402-1	<i>Minimum notice periods regarding operational changes</i>
GRI 403 - Occupational Health and Safety	GRI 403-2	<i>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</i>
GRI 404 - Training and Education	GRI 404-1	<i>Average hours of training per year per employee</i>
	GRI 404-2	<i>Programs for upgrading employee skills and transition assistance programs</i>
GRI 405 - Diversity and equal opportunity	GRI 405-1	<i>Diversity of governance bodies and employees</i>
GRI 412 - Human Rights Assessment	GRI 412-2	<i>Employee training on human rights policies or procedures</i>
GRI 416 - Customer Health and Safety	GRI 416-1	<i>Assessment of the health and safety impacts of product and service categories</i>

The cross-reference to the pages where the GRI Standards are disclosed ("GRI Content Index") is available in the Appendix of this document.

In order to ensure the comparison with previous years, data are shown on a bi-annual basis.

REPORTING PROCESS AND CALCULATION CRITERIA

To define the topics to be covered in this NFD, Ansaldo STS has involved the Internal Sustainability Committee (see the "Sustainability Governance" paragraph herein) - also responsible for preparing the *Sustainability Report*, whose ninth edition will be published this year. The level of relevance assigned to the different topics was defined according to a well-established analysis process (see the "Material topics for our business" paragraph herein). Relevant KPI calculation criteria are shown in specific footnotes.

ANSALDO STS COMPANY PROFILE, ACTIVITIES AND STRATEGY

Ansaldo STS is active around the world as a contractor and supplier of turnkey services and solutions and builds large projects for railway and mass transit systems for passengers and freight.

In addition to being known for its turnkey projects for large metro lines, Ansaldo STS boasts significant long-term experience in the high speed sector as a supplier and integrator of all the sub-systems: interoperable signalling systems, telecommunications, electric power supply, on-board equipment and integration, and electrification and wayside equipment.

Ansaldo STS considers the social, economic, logistics, architectural, environmental and structural context of each project it handles, by planning, designing and building signalling and railway and mass transit systems that provide the best possible combination of safety, efficiency and return on investment.

MISSION

Ansaldo STS creates value for society by designing and implementing solutions and components for rail transport and mobility, committed to provide innovative products that improve the quality of life and that responsibly support the world in which we live.

Ansaldo STS combines experience and human, financial and technological resources to provide innovative solutions in the design and construction of equipment and systems for conventional and high-speed railway lines and mass transit rail network signalling and automation for passengers and freight.

The more we make sustainable long-term decisions, the better the interaction between our company, society and the environment will be. This approach is part of our competitive edge.

VALUES

To achieve its objectives and growth and maintain its sector leadership, Ansaldo STS bases its operations on solid, unwavering ethical values and principles. Everyone in the Organization is required to uphold this culture and make the same commitment to ethical conduct, embracing the company's principles and values.

Ansaldo STS's values, and those on which it has based its business are:

- **CUSTOMERS FOCUS**

Our technologies safely move millions of people every day. This drives Ansaldo STS to do its best to increase and maintain high excellence services for rail transport users. Because of its customers, Ansaldo STS is able to understand and meet their needs with advanced solutions to their specific requirements.

- **INNOVATION AND EXCELLENCE**

Understanding, studying and developing solutions to improve responses to customers and market offers lie at the crux of Ansaldo STS's activities, in which work is constantly focused on providing customers with innovative and excellent products that represent the company's competitiveness on the market.

- **PEOPLE**

Customer satisfaction and the development of new products depend on the abilities of the professionals working to achieve them, Ansaldo STS’s employees. This is why Ansaldo STS is a company founded on people. Everyone in our organization works to make Ansaldo STS a good environment and place to work, where people learn, achieve and celebrate success. Ansaldo STS always prioritizes its people and their safety.

- **TEAM SPIRIT**

None of these operating objectives can be achieved by one person alone. The company’s professionals work in a single, integrated organization, capable of making the most of their different cultures and professional training. This team spirit can also be found in managers who ensure cooperation and the growth of the company culture, while achieving established objectives and the company’s mission. Ansaldo STS strongly encourages attainment of its people’s aspirations through team objectives.

- **INTEGRITY**

If people are to work together effectively, mutual trust must be fostered, and this is only possible if everyone works and acts in a way that is transparent, loyal, honest and proper. Similarly, customers must have the absolute certainty that integrity is a fundamental value for Ansaldo STS, and that this value is reflected in its products, through the utmost care and attention to safety.

BUSINESS LINES

The different Companies that constitute the Ansaldo STS Group carry out activities in the fields of traffic management, train control, signalling systems production and maintenance services, aiming towards constant efficiency and safety over time for both customers and end users.

High Speed	Computer based interlocking
Main Lines and Freight	Metros and Tramways
Planning, Supervision & Traffic Control	Equipment & Components
Operation and maintenance	

As a part of the Hitachi Group, Ansaldo STS further integrates the technological offer into various projects and solutions, bringing a real competitive advantage, with economically and technologically innovative solutions for our customers.

Ansaldo STS, as part of Hitachi Rail's business, develops rail (and metropolitan) traffic management systems with an integrated vision and approach: from the production of the single component to passenger comfort, including the management and maintenance of the infrastructure.

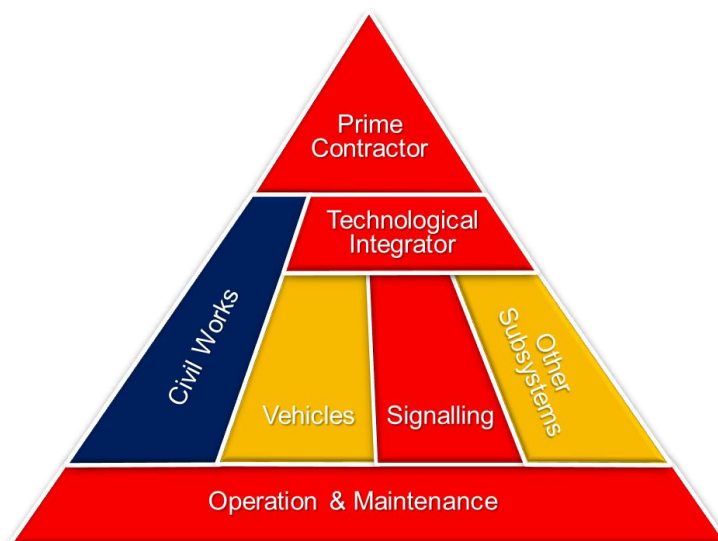
Building on its proven experiences, the multiple systems successfully installed, and its extensive supply of turnkey systems, Ansaldo STS is able to develop a complete range of services related to the railway sector.

The complementarity of the products and services, along with the distribution of production facilities and development sites will allow to increasingly consolidate our company's presence in existing markets and increase its effectiveness in the new markets.

BUSINESS MODEL

Ansaldo STS's abilities and organisation fully meet the need to innovate in order to boost transportation efficiency and safety and reduce its environmental impact.

Ansaldo STS is, indeed, a company that operates on a global market. It boasts great flexibility in meeting international demand and is open to new markets. It carries out research and development for transportation solutions that focus in particular on the environment and on safety. It facilitates the standardization of solutions, while also developing the ability to create customized products for different customer needs. It has the necessary financial soundness to meet future challenges, lead innovation and make the most of growth opportunities by promoting new projects.



Ansaldo STS's business model is customer based, and enables it to forge fruitful, long-lasting relationships at global level.

- TECHNOLOGICAL LEADERSHIP FOR SAFETY AND ENVIRONMENTAL MATTERS**
 Ansaldo STS offers integrated solutions based on technological leadership in terms of safety and environment and has a predominant technical leadership in certain market segments (ERTMS, driverless, mass transport, high speed, etc.)
- PREFERENTIAL PARTNERSHIPS WITH ROLLING STOCK SUPPLIES**
 Ansaldo STS has a consolidated partnership with Hitachi Rail Italy. However, Ansaldo STS is capable of adapting to any rolling stock supplier and is flexible in the design and construction of the chosen solution.

- **SOLID ROOTS AND GROWTH WHEREVER THE DEMAND IS**
Long-standing technological leader in the western world, growth in emerging market economies, investments in R&D, continuous monitoring of deadlines and budget.
- **A PARTNER THROUGHOUT THE CUSTOMER'S ENTIRE VALUE CHAIN**
Ansaldo STS is leader in the supply of cutting-edge integrated transportation solutions by combining traditional and non-traditional technologies and operation and maintenance services.
- **SERVING THE CUSTOMER'S FUTURE NEEDS**
Ansaldo STS can meet the new requirements of markets, such as driverless freight transportation, the introduction and integration of extremely safe and digital technology.
- **GLOBAL ORGANISATION**
About 4,200 professionals offer global research, expertise, experience, know-how and best practices wherever the market needs them.

STRATEGY

Ansaldo STS is committed to maintaining and developing a set of distinctive abilities and expertise that create value and guarantee long-lasting company growth over time. This commitment can be seen in the company's four strategic directions:

1. **ORGANIC GROWTH:** to leverage its strong position in growing geographical areas and business lines to achieve better results than the reference market.
2. **NON-ORGANIC GROWTH:** to define strategic partnerships and evaluate investments that are instrumental to the Company's growth in specific geographies and/or business sectors
3. **ORGANIZATIONAL ALIGNMENT:** to adapt the operating model in accordance with business requirements and its future developments
4. **EFFICIENCY AND EFFECTIVENESS:** to optimize the product platforms in line with future technologies, and continue to work on the continuous improvement process in order to strengthen its competitive position and ensure excellence in the execution of its activities.

2018/19 CORPORATE SOCIAL RESPONSIBILITY PLAN

Ansaldo STS considers the behaviour of an organization that contributes to sustainable development, grown out of a shared and concrete commitment to *Corporate Social Responsibility* (CSR), as a crucial element to improve its performance, enhance its reputation, increase its ability to attract talent and strengthen its relationships with customers, business partners, suppliers and local communities.

Ansaldo STS wants to develop a coordinated CSR corporate strategy, with an action plan that aims at:

- improving its internal culture;
- stimulating proposals and ideas from the bottom up, to achieve shared business and social objectives;
- increasing the company's social participation and commitment so that it stands out as an influencer in its field.

Inspired by these principles, our 2018/19 Corporate Social Responsibility (CSR) plan has identified the following action areas for the two-year period:

1. Developing an external communication strategy that highlights the integration between corporate objectives and social responsibility initiatives;
2. Providing internal training, in order to improve the culture of ethics and sustainability;
3. Obtaining a new CSR-specific certification: ISO 26000;
4. Proposing new and concrete initiatives to the Executive Committee, to stimulate a sustainable development of the business and contribute to achieve the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda.



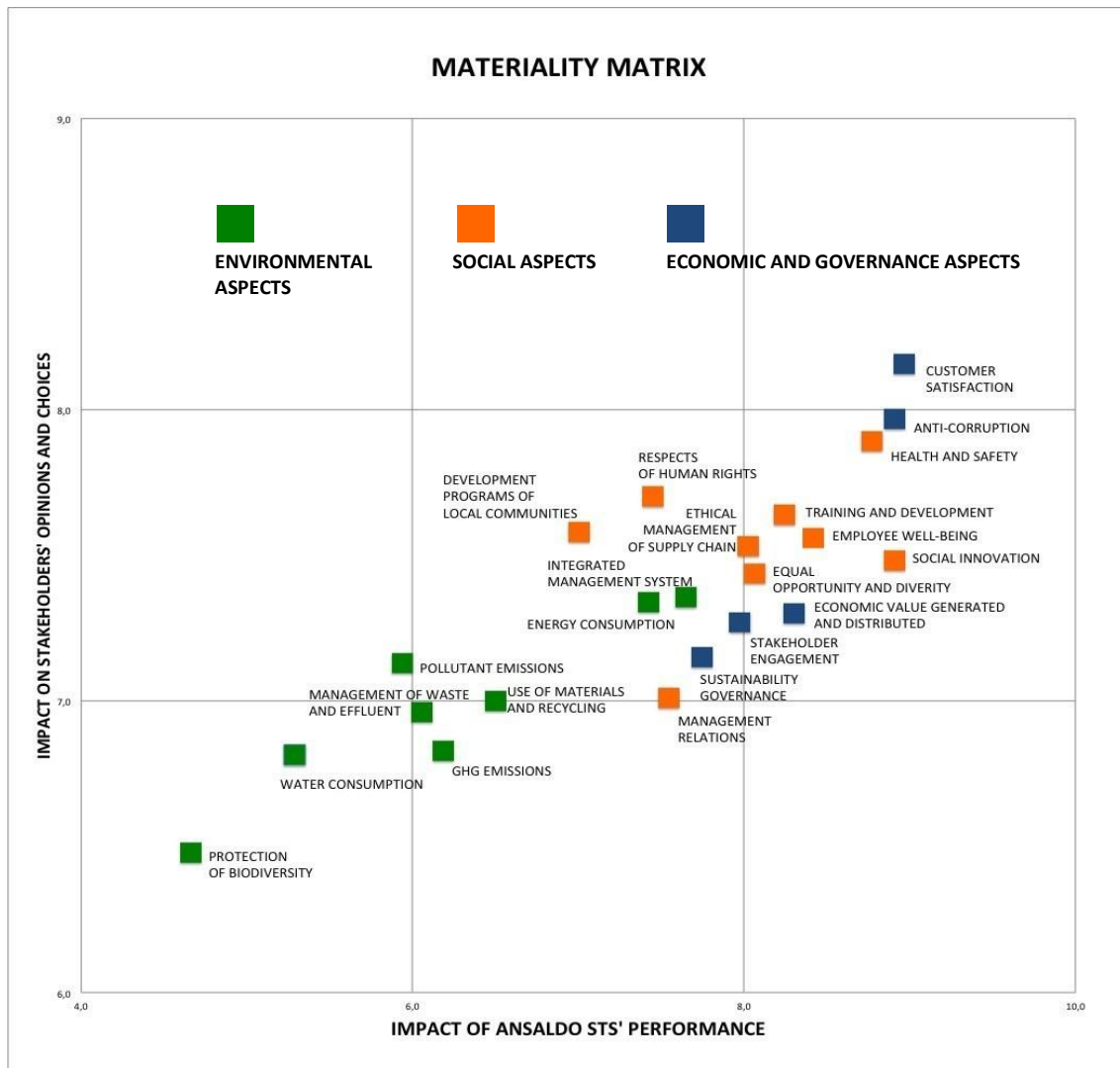
THE MATERIAL TOPICS OF THE BUSINESS

In order to define the sustainability issues considered to be relevant, Ansaldo STS has carried out a new external materiality analysis **characterised by a broad involvement of its various stakeholders categories**: 34 suppliers, 13 civil society players, 13 customers, 11 banks and insurance companies, 3 business partners and 8 financial analysts, summing up to **82 stakeholders overall**.

In addition to the contents required by the Decree no. 254/2016, to the recommendations of the Global Reporting Initiative, of the Global Compact and of the Carbon Disclosure Project, the aspects identified take into account internal factors such as: the organization’s mission, values, risk assessment activities, quality, safety and environment management systems, climate change strategies and research and development of products and solutions that are increasingly safe and environmentally friendly.

The internal analysis, carried out by the Sustainability Committee, has assessed the level of materiality of the various issues in relation to the company's performance and to the possibility of improving its reputation and competitive advantage, taking into account the related risks. Ansaldo STS asked its stakeholders to assign a priority level to the issues, taking into account the activities carried out by the company, in order to understand to what extent they could influence their judgement and choices.

The overall level of materiality originates from the intersection of the two analyses – internal and external - and is shown in the following matrix.



In order to draft this DNF, the following topics have been selected and reported based on subjects cited by the Legislative Decree no. 254.

LEGISLATIVE DECREE no. 254 SUBJECTS	MATERIAL TOPICS CONSIDERED
HEALTH, SAFETY AND ENVIRONMENT	HEALTH AND SAFETY
	ENERGY CONSUMPTION
	GHG EMISSIONS
	POLLUTANT EMISSIONS
	WATER CONSUMPTION
	MANAGEMENT OF WASTE AND EFFLUENT
HUMAN RESOURCES MANAGEMENT	EQUAL OPPORTUNITIES AND DIVERSITY
	MANAGEMENT RELATIONS
	EMPLOYEE WELL-BEING
	TRAINING AND DEVELOPMENT
SOCIAL ASPECTS	CUSTOMER SATISFACTION
	SOCIAL INNOVATION
	ETHICAL MANAGEMENT OF THE SUPPLY CHAIN
HUMAN RIGHTS	RESPECT FOR HUMAN RIGHTS
ANTI-CORRUPTION	ANTI-CORRUPTION

ENTERPRISE RISK MANAGEMENT AND LEGISLATIVE DECREE no. 254 SUBJECTS

Enterprise Risk Management¹ (ERM) is one of the key aspects of the Corporate Governance system and involves all organizational levels with different roles and responsibilities. The aim of ERM is to:

- increase the awareness of business risks by identifying, measuring and monitoring risks;
- improve the sustainability of business performance through risk prioritization and mitigation strategies;
- ensure transparency and strengthen the company's reputation by spreading the culture of risk, monitoring and compliance.

Risk Assessment² is an essential element of the ERM Framework and contributes to defining business strategies by identifying and managing potential risk events that are likely to affect the actual achievement of business goals and results. Risk Assessment also includes the preparation of action plans whose implementation is subject to ongoing monitoring and quarterly reporting.

In accordance with the European standard ISO 9001:2005, the Ansaldo STS Enterprise Risk Management model has been updated in order to face the opportunities that can derive from a favourable situation to the achievement of an expected result, determined by considering as a reference the company's strategic plan and the sustainability report.

The following table shows the link between the scopes of Legislative Decree 254 and the categories and sub-categories of risks/opportunities identified by the ERM.

¹ The Enterprise Risk Management approach takes into account the Article 7 of the Corporate Governance Code from the Italian Stock Exchange for listed Companies and complies with the standard ISO 31000: 2009 principles.

² The Risk Assessment process adopted by Ansaldo STS is performed according to the international framework of the "Enterprise Risk Management" from the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO report).

LEGISLATIVE DECREE no. 254 SUBJECTS	ENTERPRISE RISK MANAGEMENT	
	CATEGORY	SUB-CATEGORY
Health, safety and environment	HSE	HSE awareness
		OHS and Environmental non Compliance
	STRATEGIC	Process Improvement
	BUSINESS CONTINUITY	Business Interruption
		Crisis management
Technical standards evolution		
Human Resources management	RESOURCES	Resources allocation
Social aspects	DELIVERY	Customer satisfaction
	SUBCONTRACT	Supplier qualification
Anti- corruption	LEGAL	Export Compliance

Currently the risk of human rights violation is assessed by the ERM framework within the “OHS and Environmental non Compliance” sub-category.

Below is a description of the risk **sub-categories** evaluated.

ENVIRONMENT, HEALTH AND SAFETY

- **HSE awareness:** possible extra-costs risk, in the offering phase, concerning health, safety and environment (HSE) with particular regards to emerging countries (with "low standards"), especially when particular issues can occur dealing with partners who do not have the same attention levels adopted by Ansaldo STS.
- **OHS (Occupational, Health and Safety) and Environment non Compliance:** possible risks of non-compliance, by the company or subcontractors, with requirements from regulations on environment, occupational health and safety and respect for human rights; possibility of accident occurrence, with suspension of works, reputational damage, delays and penalties.

Opportunities to improve ECO design aspects, by the reduction of environmental impacts in product design to exploit new business opportunities and, through the communication of these aspects, in order to enhance the image of the company.

- **Process improvement:** opportunities to reduce electricity consumption of the lighting systems for Italian sites, with consequent environmental benefits.
- **Business interruption:** possible risks of catastrophic events (natural disasters, epidemics and communicable diseases, work conflicts, strikes, terrorism and political changes) that could have an impact on IT systems and services with consequent business interruption.
- **Crisis Management:** issues related to the health and safety of workers caused by the worsening of the geopolitical situation of countries at risk, where the company operates, caused by natural disasters, accidents, conflicts, and terrorism.
- **Technical standards evolution:** risks of non-compliance of the Integrated Management System with international standards such as IRIS or CENELEC EN 50128, which could result in lost opportunities, customer dissatisfaction and sanctions.

HUMAN RESOURCES MANAGEMENT

- **Resources allocation:** possible risk of late development of the necessary skills for the company strategic needs.

SOCIAL ASPECTS

- **Customer satisfaction:** possible risk of not being able to respond to feedbacks from customers, thus impacting their satisfaction level. Opportunities to improve the process of collecting and managing the lessons learned.
- **Supplier qualification:** possibility of inadequate evaluations of the technical and financial reliability of suppliers due to the lack of preliminary analysis related to the information collected by the project teams.

CORRUPTION PREVENTION

- **Export Compliance:** possible risk of late implementation of the export control regulation; possible critical issues related to the application of an anti-corruption plan able to meet the different regulatory requirements at the local level worldwide.

CSR AND SUSTAINABILITY WITHIN ANSALDO STS

The widespread presence of Ansaldo STS on international markets, its operation in different contexts and the multiplicity of its interlocutors make the management of stakeholder relations of primary importance for the company: transparency, fairness and trust are the principles that Ansaldo STS is inspired by in order to compete effectively and loyally in the markets, improving the satisfaction of its customers, developing the skills and professionalism of the people who work within the Company and increasing the value of the enterprise.

CSR and sustainability originate from the ways in which Ansaldo STS achieves its mission: the Corporate Governance model, the internal control and risk management system, the integrated quality, safety and environmental management system and the Internal Committee for Sustainability, allow the company to follow a path of sustainable growth and ensure coherence between the culture of responsibility and the actions of the individual collaborators.

SUSTAINABILITY GOVERNANCE

In 2011, Ansaldo STS set up the Internal Sustainability Committee (also referred to as the "Committee"), made up of the managers of the company's main departments. The Committee's mission is to define the company's strategic guidelines for sustainable development and the promotion of social responsibility initiatives and see that they are implemented. The Internal Sustainability Committee reports directly to the CEO and General Manager of Ansaldo STS and collaborates and coordinates with the company's organizational units.

The Committee is responsible for:

- Assessment of social and environmental risks that concern the company's operations and evaluating the related performance;

- definition and monitoring of the sustainability program, made up of financial, social and environmental objectives;
- implementation of the relevant codes and rules of social and environmental conduct defined internally by the Company (code of ethics and EHS procedures and policies) or relating to international standards (Global Reporting Initiative, Global Compact, Carbon Disclosure Project, etc.);
- definition and coordination of listening to, discussing with and involving stakeholders: sharing results and the steps to be taken;
- definition and implementation of an internal and external sustainability communication plan.

The Board of Directors' involvement

In the current governance of the issues relating to sustainability, the Board of Directors is involved in approving the Consolidated Non-Financial Disclosure (NFD) and the Sustainability Report while the CEO and General Manager approve the sustainability program, i.e., the action plan to be implemented, the targets to be achieved and the reporting activities.

HEALTH, SAFETY AND ENVIRONMENT

In the management of its activities, Ansaldo STS abides by principles of environmental ethics and attention to the physical security and health of workers, which constitute strategic aspects for the company, towards which it is committed to pursue continuous improvement objectives.

The company's choices are therefore not limited to complying with the law, but aim towards the achievement of high standards of prevention and control through the adoption of specific policies and the promotion of virtuous behaviour by its collaborators and stakeholders.

In this way, Ansaldo STS aims to be recognized among the best companies for the protection of the environment and the Health and Safety of the employees.

To this end, the Group has adopted an environmental policy based on the application of the requirements of the UNI EN ISO 14001: 2015 standard, a travel policy and a policy on occupational health and safety based on the application of the requirements of the OHSAS 18001: 2007 standard and other international standards as specified hereinafter.

INTEGRATED MANAGEMENT SYSTEM

Ansaldo STS acts in full compliance with current legislation, in compliance with the Code of Ethics, the Organisation and Management Model relating to Italian Legislative Decree 231/01, the Policies and all regulations on Health, Safety and Environment (HSE), pursuing a sustainable management of environmental issues related to its services in all its business areas.

Ansaldo STS has considered it strategic to include its Quality, Safety, and Environment System (IMS - Integrated Management System) within its Governance framework and, in particular, to create strategic synergies with the Internal Auditing and Risk Management system: the Integrated Management System is thus considered a reference architecture to integrate systems and to implement principles and values within the organization.

The Integrated Management System has been established at the corporate level, by implementing global policies and procedures in order to guarantee a controlled management of processes. In this context, the assessment of business risks and their proper management requires the correct identification of the processes and their interpretation from a systemic perspective.

Subsequently, each company established local environmental and safety policies, on the basis of the local legislative requirements and the corporate policies and procedures.

All the production sites and offices listed in the tables below have been certified for quality (ISO 9001), health and safety (OHSAS 18001 and AS/ZNS 4801:01 for Australia) and for environmental management (ISO 14001). The Tito Scalco production site also has the EMAS Registration (Eco Management and Audit Scheme).

COUNTRY	PRODUCTION SITES	ISO 9001	ISO 14001	OHSAS 18001
US	Batesburg	■	■	■
FRANCE	Riom	■	■	■
ITALY	Tito Scalco	■	EMAS	■

COUNTRY	OFFICES (NON-PRODUCTION SITES)	ISO 9001	ISO 14001	OHSAS 18001
EUROPE	UNITED KINGDOM	London	■	■
	FRANCE	Les Ulis	■	■
	SPAIN	Madrid	■	■
		Zaragoza	■	■
	SWEDEN	Stockholm	■	■
	DENMARK	Copenhagen	■	■
	ITALY	Genoa	■	■
		Naples	■	■
	Piosasco	■	■	
SAUDI ARABIA	Riyadh	■	■	
PERU	Lima	■	■	
TAIWAN	Taipei	■	■	
MALAYSIA	Kuala Lumpur	■	■	
USA	Pittsburgh	■	■	
AUSTRALIA	Brisbane	■	■	AS/ZNS 4801:01
	Newcastle	■	■	AS/ZNS 4801:01
	Perth	■	■	AS/ZNS 4801:01
	Sidney	■	■	AS/ZNS 4801:01
	Karratha	■	■	AS/ZNS 4801:01
INDIA	Kolkata	■	■	■
	Noida	■	■	■
	Bangalore	■	■	■
CANADA	Toronto	■	■	■

HEALTH AND SAFETY

Ansaldo STS is very mindful of the health and safety of all its employees and of their safety while travelling for work purposes. Therefore, it has implemented a specific policy for business travels.

The **Travel Security** policy was implemented to minimize the exposure of its international business travellers and assignees to medical and security risks. Its objectives are:

- to identify, manage and reduce all current and emerging risks related to working abroad, in accordance with the provisions of the Consolidated Safety Act and Italian Legislative Decree 231 of 2001;
- to inform and train workers about potential risks in carrying out work abroad;
- to develop appropriate countermeasures to continuously monitor and manage accepted risks;
- to require each employee to comply with the risk mitigation measures set by Ansaldo STS;
- to ensure access to adequate assistance in the event of medical and safety emergencies for all international business travellers and assignees of Ansaldo STS;
- to maintain awareness of the risk levels for travel health and safety in the countries where Ansaldo STS sends its travellers.

Our **Health and Safety in the workplace policy** is based on the application of the requirements of relevant standards, namely OHSAS 18001:2007, and other international standards, in compliance with national and international regulations. Ansaldo STS develops a plan focused on continuously improving health and safety standards.

For Health and Safety, Ansaldo STS undertakes to:

- ensure and maintain a safe and healthy workplace environment and prevent injuries, illnesses or damage to the health of employees, suppliers, customers and visitors;
- extend OHSAS 18001 certification to all Ansaldo STS sites, continuously improving the effectiveness of the Health and Safety in the workplace Management System (SGSL);
- continuously improve the aforementioned management systems' performance, not only with respect to the prevention of injuries and work-related illnesses, but also in terms of more general employee wellbeing;
- adopt risk assessment criteria for all dangers relating to work activities, taking into account best practices, in compliance with national and international legislation;
- increase the training and information activities for all employees in order to make them more aware of the risks related to their activities;
- continue developing activities to spread a culture of safety with all suppliers and stakeholders.

This policy is shared with all Ansaldo STS personnel and all stakeholders online and via the company Intranet.

ACTIVITIES AND RESULTS

Health and safety performance indicators are monitored and analysed over time, and used to set objectives by breaking them down by risk factor and location. Safety is therefore a vital element for Ansaldo STS and a value for all workers, as they contribute every day to the safety for end users as concerns our products and services.

	2016	2017
N. of injuries occurred to the Group's employees (>1 day of absence, commuting incidents excluded)	14	21
Accidents frequency index (per million hours worked)	2,17	3,11
Accidents severity index (per thousand hours worked)	0,02	0,11

The low values of Ansaldo STS accidents frequency and severity indices over the years make them particularly sensitive to small variations in the number of accidents and related lost days. This explains the extent of the growth of such indices in 2017.

In order to acquire the information needed to improve injury frequency and severity rates, in accordance with the Health and Safety Policy, Ansaldo STS also tracks the so-called near misses (accidents without consequences that arise out of undesired or unexpected situations that could have put people at risk), in order to gather and analyse data and information and identify potential solutions in advance.

The main initiatives that have been carried out in this respect include:

- implementation of the procedure to manage accidents and near misses at the global level: Ansaldo STS has created a procedure to provide information on how to correctly manage events entailing injuries, accidents and near misses. This procedure is a valid prevention and information management tool for statistical purposes, to identify the causes of an accident and to meet legal requirements relating to health, safety and hygiene in the workplace;
- implementation of quarterly EHS reporting to monitor and gather main information on the performance of activities carried out in relation to the application of SGS/SGA. These reports are prepared by all HSE officers at work sites;
- safety meetings for all main work sites.

Health and safety committee

Ansaldo STS holds meetings pursuant to article 35 of Italian Legislative decree 81/08, in which the Employer (or a representative), the Prevention and Protection Service Manager, a Company Physician, the Safety Officer and the Workers' Safety Representative participate. These meetings are called at least once a year and represent 100% of employees of the Italian companies of the Group, to which Legislative Decree 81/08 applies.

ANSALDO STS'S COMMITMENT TO THE ENVIRONMENT

In recent years, Ansaldo STS has undertaken its path towards sustainability in the belief that acting in respect of environmental values leads to the creation of lasting value for the company.

In its commitment to sustainable development, special attention is given to ensuring the quality of life, the protection of natural resources, the safeguarding and protection of the environment and the adoption of the principles and values of environmental sustainability.

In order to actively and responsibly contribute to combating the challenges posed by climate change, Ansaldo STS complies with the current regulations and also applies best practices to achieve better results, continuously improving its environmental management in an economically effective way.

To this end, the company has developed an approach based on the preventive analysis of the impacts of its operations on the environment and the constant monitoring of consumption and waste. This approach has allowed the company to identify "environmental improvement" areas and to intervene with specific measures that address, in particular:

- energy efficiency, through tailored initiatives aimed at optimizing office lighting by installing low power systems and building insulation systems to reduce the need for heating;
- personnel's awareness on environmental protection, encouraging them to adopt an environmentally-conscious behaviour in order to save energy, aiming towards continuous improvement.

Ansaldo STS' environmental policy is based on the application of UNI EN ISO 14001:2015 requirements and those of other relevant international standards, in compliance with applicable domestic and international legislation, by developing a program focused on continuous improvement. The policy is shared with all Ansaldo STS personnel and all stakeholders online and via the company Intranet.

The key principles of Ansaldo STS' environmental policy are:

- Protect the environment by preventing impacts
- Improve and foster the environmental characteristics of products and services
- Create value for the company
- Satisfy and go beyond the legal obligations of compliance and voluntary commitments

THE FOUR STRATEGIC OBJECTIVES

1. Apply to the entire organization the internationally recognized **Environmental Management Systems** inspired by the principle of continuous improvement and define environmental indices to gauge the performance of the entire organization.

2. Communicate to citizens, institutions and other stakeholders the company's management actions and environmental results by publishing a Sustainability Report, providing access to open data and to the main environmental parameters. Furthermore, communicate with analysts and participate in several sustainability assessment indexes.

3. Promote environmentally-sustainable practices among suppliers, contractors, and customers by using supplier assessment and qualification criteria based on the environmental performance of the activities carried out on behalf of Ansaldo STS, providing the Environmental Policy, holding information and training meetings on the important environmental aspects that are relevant during the beginning of the work, to explain the methods to be used to manage the resulting impacts.

4. Satisfy the legal compliance obligations and voluntary commitments undertaken by ensuring that activities are carried out in accordance with them, by assessing their fulfilment and by correcting any non-conformities.

REDUCTION OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS

Ansaldo STS sees climate change as an opportunity.

As part of this approach, the company analyses the possible impacts of its strategic decisions to reduce greenhouse gas emissions over a short, medium and long term, in order to identify business development opportunities, improve efficiency and reduce any risks.

The commitment of Ansaldo STS to contribute to fighting climate change is reflected in the Group's environmental policy which identifies the areas of intervention and the selected specific indicators and related targets to achieve.

The activities and initiatives to combat climate change are part of the environmental management system that Ansaldo STS has established at a global level, developing a Carbon Management strategy based on the following principles:

- global approach: the development of mechanisms that encompass the commitment of all Ansaldo STS sites;
- reasonable and feasible long-term objectives: the establishment of a clear and realistic vision of the steps to be taken;
- support for the development of technologies: the development of advanced technological solutions.

This strategy focuses mainly on three spheres of influence:

- in-house activities and direct emissions from Ansaldo STS's own sites;
- electrical energy suppliers and their operating emissions due to Ansaldo STS's activities;
- Ansaldo STS's supply chain and the emissions resulting from the production and delivery of goods and services.

In order to establish an improvement strategy, the company reports direct and indirect greenhouse gas emissions, as envisaged by the *GHG Protocol*³, committing to reduce them through:

- policies on the mobility of people and goods
- programmes for reducing consumption and improving energy efficiency
- use of renewable energy sources
- waste management

³ The Greenhouse Gas Protocol (GGP) is the most widely used international accounting tool for government and business leaders to understand, quantify and manage greenhouse gas emissions.

Risks related to climate change

For Ansaldo STS, the risks associated with climate change are economic and regulatory in nature, with possible repercussions on image and reputation. Indeed, the company is engaged in offering more sustainable solutions by adopting low-carbon technologies that ensure real savings on fuel use.

CARBON MANAGEMENT SYSTEM

Since 2011, Ansaldo STS has implemented and renewed its commitment to reduce the greenhouse gas (GHG) emissions produced directly and indirectly in the performance of its activities by applying the Carbon Management System (CMS), a system that enables the company to monitor the carbon emission improvement process. This entails a planning, implementation and measurement process for emission reduction goals. An efficient carbon management policy will enable the company to reduce emissions, decrease consumption and reduce energy costs, thereby improving the bottom line, with the possibility of investing the savings.

The CMS has been developed in line with the relevant international standards. This system enables the company to perform:

- analyses of actual emissions produced;
- monitoring and reporting on emissions;
- comparisons between historical data and forward-looking analyses;
- an assessment of the impact of products, in terms of emissions over their entire life cycle;
- economic/environmental impact analyses in relation to current regulations on emission reduction to determine assets' potential value-at-risk;
- the measurement of the effectiveness of emission reduction projects;
- communication on Ansaldo STS's emission reduction performance to the stakeholders, including media, investors, rating agencies and other organizations.

Within its organization, Ansaldo STS has appointed a Carbon Manager, an Energy Manager that is responsible for providing guidance and carrying out activities and projects with respect to energy savings at all company operating sites.

Carbon Disclosure Project (CDP)

The significance of the issue of climate change for Ansaldo STS is confirmed through its completion of the Investor Carbon Disclosure Project (CDP) questionnaire for the seventh consecutive year.

Consolidating the carbon management strategy entails defining a total emission reduction target. The CDP Italy 100 Climate Change Report for 2017, prepared by First Carbon Solutions, includes a detailed analysis of Italy's largest listed companies (in terms of stock market capitalization) on the basis of two parameters:

- disclosure - the quality of the information they use for transparent emissions disclosures;
- performance - the quality of their climate change management initiatives.

In 2017, the assigned score came from a percentage including both parameters mentioned. Ansaldo STS achieved a score of C, with A being the best possible score, in the Industrial sector, which corresponds to the judgement **Awareness**: *considers the extent to which the company has assessed environmental issues, risks and impacts in relation to its business.*

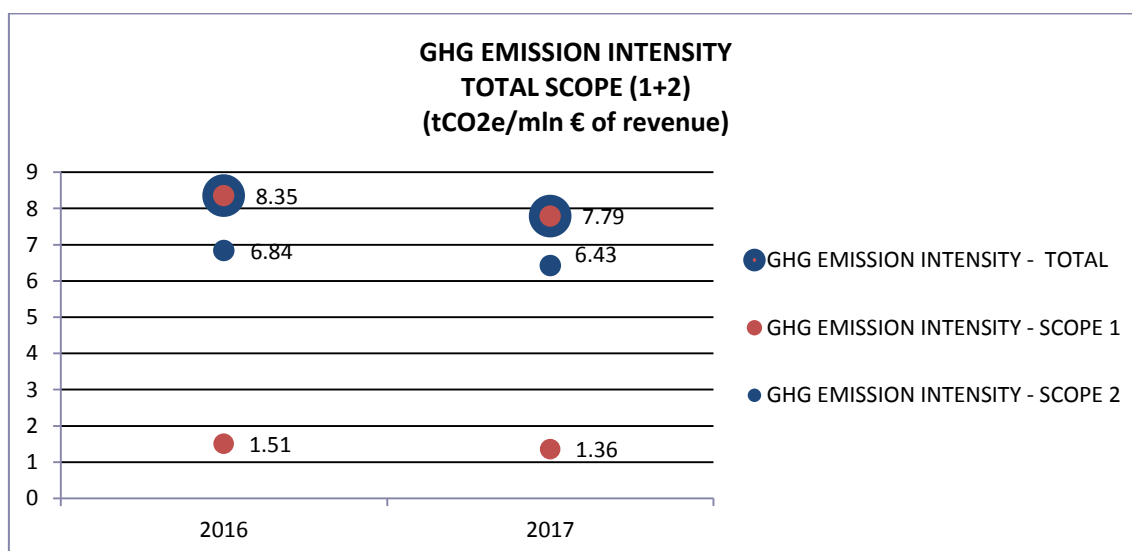
PERFORMANCE AND ACTIVITIES⁴

Between 2016 and 2017, the direct and indirect emissions of greenhouse gases decreased from 11,082 tCO₂e to 10,599 tCO₂e with a reduction of 483 tCO₂e (-4.4%). This is due in particular to a reduction in the consumption of methane for the production of heat and a reduction of indirect emissions due to electrical energy consumption.

GHG EMISSIONS	UoM	2016	2017
Emissions due to energy production (natural gas and diesel)	tCO ₂ e	1,420	1,249
Emissions due to transport (cars, lorries and forklifts)	tCO ₂ e	578	598
Total scope 1 (direct emissions)	tCO ₂ e	1,998	1,846
Emissions due to electrical energy consumption	tCO ₂	9,084	8,753
Total scope 2 (indirect emissions)	tCO ₂	9,084	8,753
Total direct and indirect emissions (scope 1+2)	tCO ₂ e	11,082	10,599
GHG emission intensity (scope 1)	tCO ₂ e/€mln of revenue	1.51	1.36
GHG emission intensity (scope 2)	tCO ₂ /€mln of revenue	6.84	6.43
Total GHG emission intensity (scope 1+2)	tCO ₂ e/€mln of revenue	8.35	7.79

The Scope 2 emissions reported in the table refer to the location-based approach. According to the market-based approach, the Group's Scope 2 emissions amount to 6,693 tCO₂e in 2016 and 5,486 tCO₂e in 2017, considering the certified electricity supply from renewable sources in Sweden and Italy.

The Total GHG emission intensity, which measures tons of CO₂e per € million of revenue, decreases in particular from 2016 (-6.7%). This result is the effect of the reduction of emissions in absolute value and of the increase in revenue (+2.5%).



⁴ The emission factors used for the calculation of CO₂ emissions are as follows:

- Direct Emissions Purpose I: GHG Protocol Tool 2014.
- Indirect emissions aim II: Terna - Confronti internazionali 2015.

ENERGY CONSUMPTION

The majority of the energy we use is electricity, for lighting, plants operation and building temperature control.

Ansaldo STS uses fossil fuels, mainly natural gas, and district heating to heat the workplaces.

In order to reduce electricity consumption, the Company constantly works on its real estate assets, to increase their environmental efficiency. Energy-saving lighting and heating/cooling technologies are used as much as possible, such as:

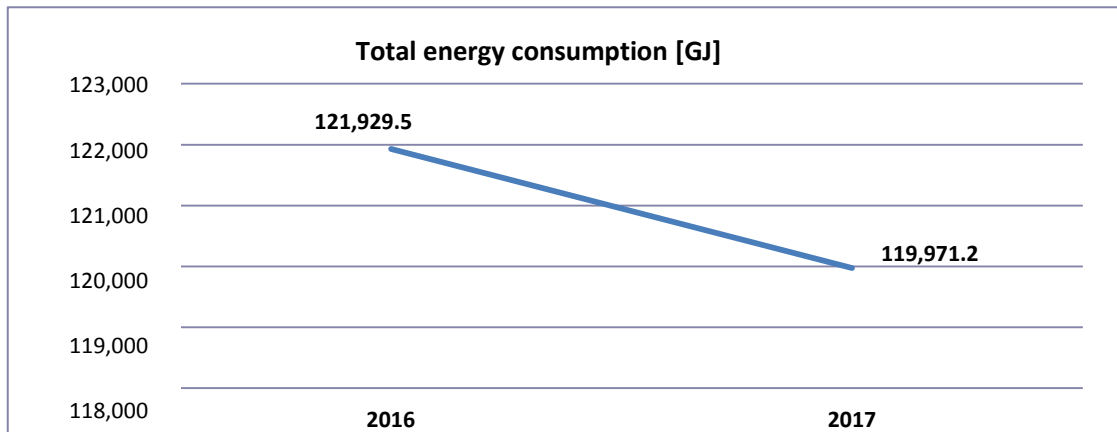
- LED lighting systems;
- building envelopes and thermal insulation for windows and doors;
- direct-expansion heating/cooling systems (heat pumps);
- presence detectors or clocks/timers to control the on and off switching of the systems;
- improvement in the data centre’s energy efficiency;
- affixing of signs to remind personnel about energy saving projects, such as turning off lights, laptop computers and devices that consume energy;
- reduction in the number of vehicles used by the company.

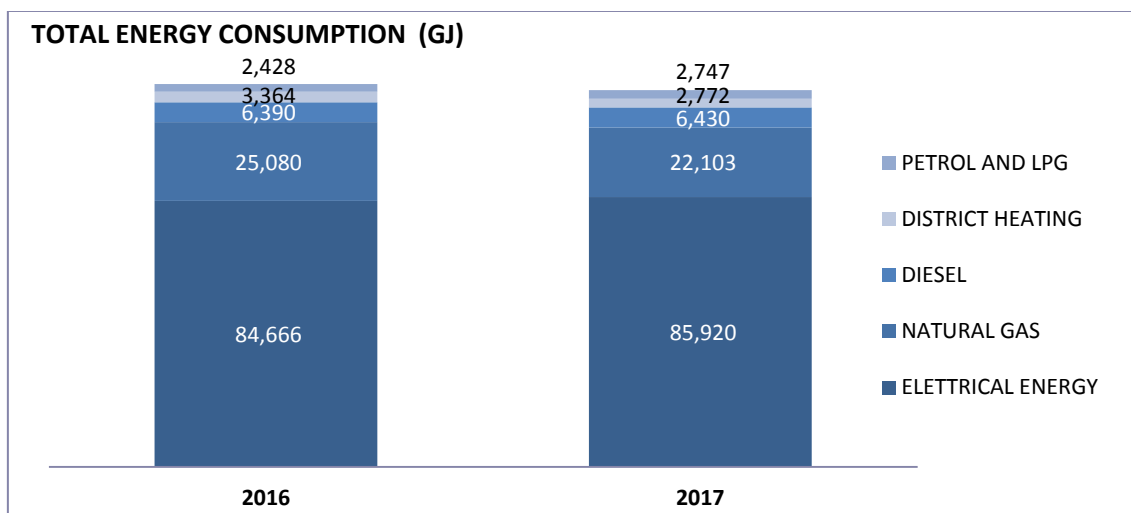
In 2017, in order to further reduce electricity consumption at the Genoa and Tito Scalo sites, we installed a new smart lighting system, with state-of-the-art Wireless and DALI technology that adjusts the brightness of the lamps on the basis of the actual intensity of natural light measured by sensors installed in each room.

The estimated annual energy saving is about 510 MWh for the Genoa office and 258 MWh for Tito Scalo, a consumption reduction of over 70%.

ENERGY CONSUMPTION TREND

In 2017, total energy consumption - electricity, natural gas, diesel, LPG and district heating - amounted to 119,971 GJ, down 1.6% compared to 2016 despite an overall 4.7% increase in hours worked.





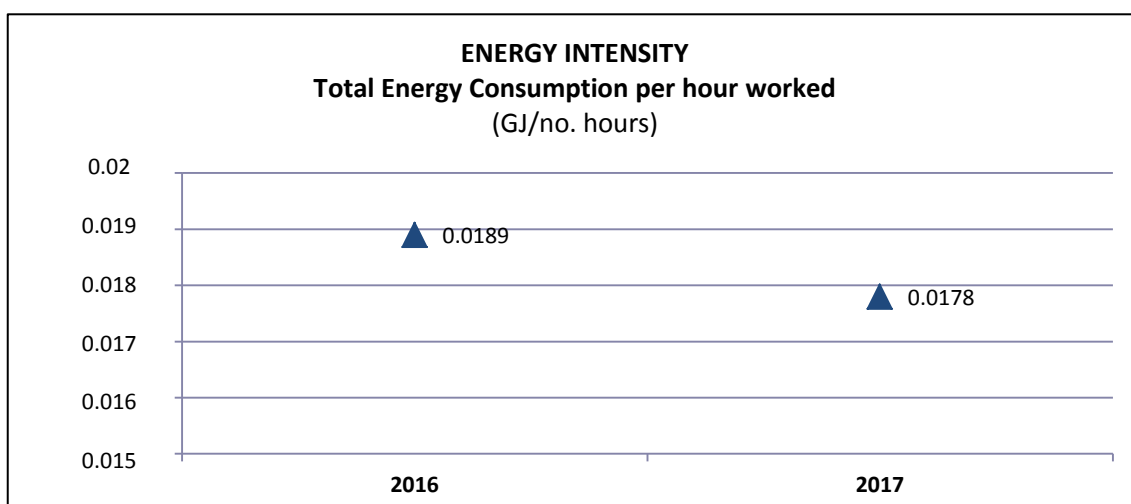
In absolute terms there has been an increase of 1.5% of total electricity consumption in the face of a reduction of 11.9 % of natural gas.

The following table illustrates the energy consumption trend of the two-year period 2016-17 at the production and office sites.

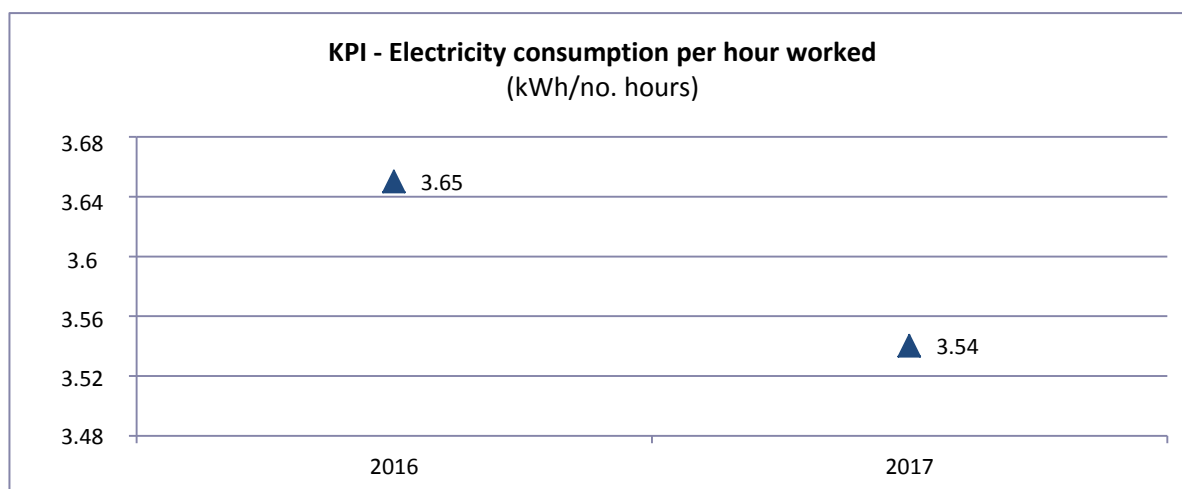
	PRODUCTION SITES		OFFICE SITES	
	2016	2017	2016	2017
Electrical energy (GJ)	27,102.2	31,165.6	57,564.3	54,754.0
Natural gas (GJ)	3,888.9	4,102.8	21,191.3	17,999.8
Diesel (GJ)	231.5	295.9	6,158.9	6,134.2
District heating (GJ)	-	-	3,363.9	2,772.0
Petrol and LPG (GJ)	342.3	199.2	2,086.2	2,547.8
TOTAL [GJ]	31,564.8	35,763.5	90,364.6	84,207.7

In absolute terms, about 70% of total energy consumption is due to the 16 office sites and 30% to the three production sites.

In 2017, the **Energy intensity** performance indicator showed a reduction of 6.0% due to the combined effect of the increase in hours worked (+4.7%) and the decrease in consumption (-1.6%).



Considering only electricity consumption, the **Electricity consumption per hour worked** performance indicator for 2017 showed a 3.1% reduction.



RENEWABLE ENERGIES

Again in 2017, Ansaldo STS requested the cancellation of its GO certificates (Guarantee of Origin), an electronic certification attesting the renewable origin of the sources used.

By acquiring and subsequently cancelling the certificates (the latter entails the withdrawal of the certificate from the market), Ansaldo STS demonstrates its commitment to environmental sustainability through its willingness to pay the positive difference with the price of electricity from conventional sources.

In addition, the Solna site uses a mix of totally renewable energy (wind, water and biomass).

ELECTRICAL ENERGY FROM RENEWABLE SOURCES (KWh)	2016	2017
Energy from renewable sources	6,513,346	6,133,428 ⁵
% renewable sources of total	27.7%	25.7%

POLLUTING EMISSIONS

For Ansaldo STS, pollutant emissions are due to the consumption of non-renewable resources used to run thermal plants (natural gas and diesel oil) and to the production processes that emit volatile organic and inorganic compounds, and heavy metals.

ATMOSPHERIC EMISSIONS ⁶	2016	2017
SO _x (Kg)	54.9	44.3
NO _x (Kg)	1,519.1	1,367.9
CO (Kg)	4,216.2	3,727.7
PM 10 (Kg)	76.6	66.2
Volatile organic compounds (Kg)	429.0	1,012.4
Volatile inorganic compounds (g)	3.6	11.8

⁵ The attainment of the electronic certificates is pending. Therefore the 2017 data was estimated

⁶ The coefficients of the European Environmental Agency (air - pollutant emission inventory guidebook 2016 - were used to calculate emissions.

WATER MANAGEMENT

The sustainable management of site water during withdrawal, use and disposal encourages water use efficiency maintenance and improvement, ensuring less waste of the resource and reduced environmental impact. The water is mainly used for sanitary purposes and for the operation and cooling of air conditioning systems; only in some locations it is also used for watering the green areas. Ansaldo STS's water withdrawal sources include aqueducts and water tables where water is drawn through wells.

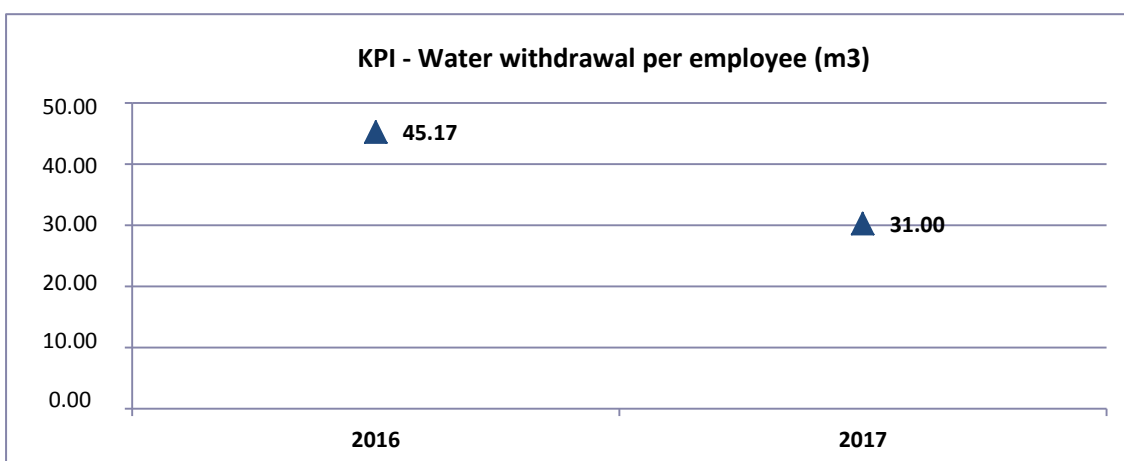
To reduce water consumption, Ansaldo STS has installed devices that mix water and air or, alternatively, installed photocells or timed controls that effectively control the water flow, in order to minimize the waste of the resource.

Rainwater recovery projects at the Riom plant in France and the replacement of cooling towers with "dry" systems also contribute to sustainable water management.

WITHDRAWAL OF WATER	PRODUCTION SITES		OFFICE SITES		TOTAL	
	2016	2017	2016	2017	2016	2017
Water drawn from aqueducts (m3/year)	12,329	11,529	143,153	98,468	155,482	109,997
Water drawn from wells (m3/year)	-	-	10,616	9,128	10,616	9,128
TOTAL	12,329	11,529	153,769	107,596	166,098	119,125

Water is mainly used for civil purposes. Water consumption at the Tito Scalo (Italy), Riom (France) and Batesburg (US) sites is very low. From 2016 to 2017, these sites reduced their water withdrawals (-6.5%), also considering that the Tito Scalo plant cut the amount of industrial water it used for fire drills and irrigation of green areas and the amount of water used for production decreased because electrical circuit cards are no longer rinsed. Compared with 2016, withdrawal also fell at the office sites (-30.0%); particularly affecting this result was the decrease recorded at the Naples site.

As compared to 2016, the **water consumption per employee⁷** index shows a reduction of 31.4%, due to the combined effect of reduced consumption and increase in the number of employees.



⁷ The number of employees used for the calculation is not equal to the Group's overall workforce, but in this case the same scope as the environmental data scope was used (see Reporting scope in METHODOLOGY AND REPORTING CRITERIA).

MANAGEMENT OF WASTE AND WASTEWATER

The production of waste is an environmental aspect that is assessed and measured at all Ansaldo STS sites as well as worksites, when the company analyses the potential environmental impacts of its work sites and of its civil and technological works.

Ansaldo STS's policy is to reinforce waste prevention and initiatives for the re-use, recycling and recovery of waste. All its sites have waste collection areas based on the type of waste and site layout. External specialist companies collect and process the hazardous and non-hazardous waste.

The most prominent waste in production sites is related to paper, cardboard and wood packaging, metal and out of order equipment.

WASTE PRODUCTION	PRODUCTION SITES		OFFICE SITES	
	2016	2017	2016	2017
Hazardous (t)	13.03	14.86	15.19	6.53
<i>% recovered</i>	6%	82%	66%	85%
<i>% disposed of</i>	94%	18%	34%	15%
Non-hazardous (t)	77.44	62.74	1,549.17	816.17
<i>% recovered</i>	60%	93%	44%	49%
<i>% disposed of</i>	40%	7%	56%	51%
TOTAL WASTE (t)	90.91	77.60	1,564.36	822.70
<i>% recovered</i>	53%	91%	44%	49%
<i>% disposed of</i>	47%	9%	56%	51%

The high volume of non-hazardous waste is concentrated in the Australian sites of Brisbane and Perth.

WASTEWATER

The wastewater produced at the sites can be classified, on the basis of its use upstream from disposal, as domestic (or similar) and industrial.

All Ansaldo STS sites produce wastewater that can be exclusively classified as domestic or similar, except for the Tito site. All the domestic or similar wastewater is discharged into the sewers. The Naples site uses an organic wastewater treatment system.

The sites use authorized disposal points. The Batesburg and the Tito Scalo sites' points are monitored.

HUMAN RESOURCES MANAGEMENT

Although a formalized human resources management policy is currently not available, Ansaldo STS practices specific policies in order to monitor the path of its employees from the recruitment phase until the end of the employment relationship, ensuring, through structured processes, compliance with regulations and business agreements and promoting the value of the human resource through development actions.

In 2017, the Human resources & organisation department continued to assist the business by strengthening and disseminating specialist technical knowledge and a managerial culture to ensure greater efficiency and effectiveness in implementing internal processes and contract activities.

In particular, the Talent Management process was launched, redefined in terms of general architecture and development programme. The selection process, which led to the identification of 120 persons internationally, focused on three key profiles: Junior, Senior (managerial stream), Senior (technical stream).

The new development programme is based on certain key elements such as know-how management, networking and collaboration, proactivity, innovation and delivery. A project work, the topics for which were defined with senior management, will represent the guiding thread of the initiative and will facilitate the sharing of skills and experience between individuals from different geographic areas and professional backgrounds, at the same time guaranteeing a strict connection with the business.

First and foremost among the programme's objectives is the strengthening of personal skills and the transfer and sharing of know-how, aiming to ensure that the flow of experience and expertise stays strong and continues within the company, supporting growth and also promoting other new and alternative ways of thinking.

This one-year programme was launched in November with a kick-off meeting and an initial workshop on Knowledge Management, and is due to end in December 2018.

2017 was also the year that, within the Talent Management system, the pilot programme known as Knowledge Owner came to an end. As it progressed it achieved the objective of sharing technical skills considered to be fundamental.

MAIN RISKS RELATED TO HUMAN RESOURCES MANAGEMENT

The Ansaldo STS Group offers products and systems characterized by a high technological value, whose production is only possible through the employment of highly specialized human resources, often difficult to attract on the market and thus requiring a long process of local engagement by the project team.

The success of business development plans, especially in new markets, also depends on the ability to attract, retain and develop the skills of human resources, in particular to operate in a global market, as a global Group, in complex projects.

To mitigate this risk, the Ansaldo STS Group adopts human resources management practices that are strictly correlated with the needs of the business. It benefits from an integrated human resources management and development system, which includes periodic performance reviews and skills development initiatives, to guarantee the professional development of its talents and the best allocation of resources.

EQUAL OPPORTUNITIES AND DIVERSITY

Ansaldo STS upholds and promotes equal opportunities for its people and fair treatment for all in every context in which it operates – regardless of race, nationality, political creed, religion, gender, age, minority status, disability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and employee. Ansaldo STS offers equal opportunities, ensuring fair treatment on the basis of individual expertise and abilities and hiring people under legal employment contracts, mainly on an open-ended basis, in accordance with laws, national labor agreements, company agreements and current regulations. Ansaldo STS’s internationalization process has also consolidated work experience abroad, thereby enabling people to share their different experiences and foster the value of multiculturalism.

The Board of Directors and Board of Statutory Advisors

The following tables illustrate the composition of the Board of Directors and Board of Statutory Advisors by gender and age.

BOARD OF DIRECTORS	2016		2017	
	MEN	WOMEN	MEN	WOMEN
BY AGE AND GENDER				
< 40	-	-	-	-
40-50	2	1	2	1
51-60	2	2	2	2
> 60	2	-	2	-
TOTAL	6	3	6	3

BOARD OF STATUTORY AUDITORS	2016		2017	
	MEN	WOMEN	MEN	WOMEN
BY AGE AND GENDER				
< 40	-	-	-	-
40-50	-	-	2	1
51-60	1	1	-	-
> 60	1	-	-	-
TOTAL	2	1	2	1

Headcount

The following tables show the employees of Ansaldo STS, broken down by gender, according to their geographical location, professional category, degree or diploma, age and seniority, contract type, hiring and turnover.

Compared to 2016 there is an increase in collaborators total number corresponding to 277 units (+198 men and +79 women). This is the result of an increase in employees in Central and Eastern Europe and the Middle East (+151), Western Europe (+45) and America (+42), Asia Pacific (+38) and China (+1) regions.

The overall percentage of women out of the total workforce is equal to 21.1% and increases by 0.6 points.

NUMBER OF COLLABORATORS BY REGION ⁸	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Central and Eastern Europe and the Middle East	1,381	331	1,712	19.3%	1,495	368	1,863	19.8%
Western Europe	689	179	868	20.6%	719	194	913	21.2%
The Americas	526	186	712	26.1%	556	198	754	26.3%
Asia Pacific	505	92	597	15.4%	532	103	635	16.2%
China	39	23	62	37.1%	36	27	63	42.9%
TOTAL	3,140	811	3,951	20.5%	3,338	890	4,228	21.1%

The increase in collaborators number concerns all professional categories.

Regarding the gender partition, in particular there is an increase in the percentage of women in managers category (10.5% of the total) and an increase in white collars category (from 21.3% to 22.1%).

PROFESSIONAL CATEGORIES	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Managers	71	6	77	7.8%	77	9	86	10.5%
Junior managers	360	66	426	15.5%	370	64	434	14.7%
White collars	2,471	669	3,140	21.3%	2,629	745	3,374	22.1%
Blue collars	238	70	308	22.7%	262	72	334	21.6%
TOTAL	3,140	811	3,951	20.5%	3,338	890	4,228	21.1%

Gender analysis shows that female workforce, like the total workforce, grows in absolute value for almost all age groups. In particular, there is a growth in percentage of women under 30 years (26.4% of the total) and over 50 years (19.50% of the total).

AGE	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
< 30	274	78	352	22.2%	292	105	397	26.4%
30-35	597	155	752	20.6%	599	153	752	20.3%
36-40	566	148	714	20.7%	635	167	801	20.8%
41-45	425	125	550	22.7%	481	139	620	22.4%
46-50	337	85	422	20.1%	349	88	437	20.1%
>50	941	220	1,161	18.9%	982	238	1,220	19.5%
TOTAL	3,140	811	3,951	20.5%	3,338	890	4,228	21.1%

⁸ The regions are defined as follows:

- **Central and Eastern Europe and the Middle East:** Italy and Italian branches (Denmark, Turkey, Greece, Taiwan, Honolulu, United Arab Emirates, Saudi Arabia and Peru) and Germany
- **Western Europe:** France and the South Korean branch, Morocco, UK, Spain and Sweden
- **The Americas:** US and Canada
- **Asia Pacific:** Australia, Malaysia, India
- **China:** China

Both in absolute value and in terms of percentage distribution, there is an increase in university graduates with technical degrees (+175 employees) and in high school graduates with technical studies (+109 employees).

DEGREE/DIPLOMA ⁹	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
Technical High school	807	132	939	14.1%	898	150	1,048	14.3%
Other High School	279	192	471	40.8%	273	196	469	41.8%
Technical graduated	1,657	284	1,941	14.6%	1,811	305	2,116	14.4%
Other graduated	211	165	376	43.9%	270	191	461	41.4%
Other education	186	38	224	17.0%	86	48	134	35.8%
TOTAL	3,140	811	3,951	20.5%	3,338	890	4,228	21.1%

In absolute terms, in particular, there is an increase in the population with a company seniority of 16 to 20 years (+84), which also increases its weight in the percentage distribution. This trend applies to both men and women.

COMPANY SENIORITY	2016				2017			
	MEN	WOMEN	Total	% W on total	MEN	WOMEN	Total	% W on total
< 5 years	991	263	1,254	21.0%	1122	323	1,445	22.4%
5-10 years	691	178	869	20.5%	708	177	885	20.0%
11-15 years	639	170	809	21.0%	636	174	810	21.5%
16-20 years	185	49	234	20.9%	252	66	318	20.8%
21-25 years	131	32	163	19.6%	119	31	150	20.7%
> 25 years	503	119	622	19.1%	501	119	620	19.2%
TOTAL	3,140	811	3,951	20.5%	3,338	890	4,228	21.1%

Contract types

Percentage of employees with open-ended contracts grows and proves the importance attributed by Ansaldo STS to employment relationship stability.

CONTRACT TYPES	2017										
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		Total
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	
Employees with open-ended contracts	1.491	363	710	192	556	198	495	93	25	19	4.142
Employees with fixed-term contracts	4	5	9	2			37	10	11	8	86
TOTAL	1.495	368	719	194	556	198	532	103	36	27	4.228

⁹ The relevant framework, compared with Italy's, is: Technical Graduates – university graduates with technical degrees (mainly engineering.); Other Graduates – university graduates with non-technical degrees (humanities, for example); Technical High School – high school graduates with technical studies (electrical studies, for example); Other High School – high school graduates with non-technical studies (classical studies, for example); Other education – not finished high school (middle school degrees, for example).

CONTRACT TYPES	2016										
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		Total
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	
Employees with open-ended contracts	1.374	329	680	177	526	186	457	84	21	10	3.844
Employees with fixed-term contracts	7	2	9	2			48	8	18	13	107
TOTAL	1.381	331	689	179	526	186	505	92	39	23	3.951

The number of temporary contracts decreases, while the percentage of work experiences grows significantly.

OTHER CONTRACT TYPES	2016			2017		
	MEN	WOMEN	Total	MEN	WOMEN	Total
Temporary staff	34	11	45	24	18	42
Contract workers	0	0	0	0	0	0
Work experience	14	11	25	40	19	59
Other contract categories	6	7	13	0	0	0
TOTAL	54	29	83	64	37	101

New employee hires and employee turnover

There is a considerable increase in under 30 hires (from 127 to 155 units).

Employee Hires 2017	2017											TOTAL	
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	Total
< 30	37	14	14	8	26	9	35	11	1		113	42	155
	53%	41%	22%	36%	47%	90%	36%	37%	14%	0%	39%	40%	39%
30-50	126	31	45	10	39	23	59	16	1	5	270	85	355
	13%	12%	9%	8%	15%	25%	17%	26%	4%	28%	13%	16%	14%
>50	16	3	8	2	16	4	5	1			45	10	55
	3%	4%	5%	4%	7%	4%	6%	8%	0%		5%	4%	5%
TOTAL	179	48	67	20	81	36	99	28	2	5	428	137	565
	12%	13%	9%	10%	15%	18%	19%	27%	6%	19%	13%	15%	13%

Employee turnover 2017	2017										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	M.	W.	Total
< 30	6	2	8	0	6	1	7	3		2	27	8	35
	9%	6%	13%	0%	11%	10%	7%	10%	0%	22%	9%	8%	9%
30-50	39	8	14	4	25	15	50	13	5	0	133	40	173
	4%	3%	3%	3%	10%	16%	14%	21%	21%	0%	6%	7%	7%
>50	20	1	15	1	20	8	15	1			70	11	81
	4%	1%	9%	2%	8%	8%	17%	8%	0%		7%	5%	7%
TOTAL	65	11	37	5	51	24	72	17	5	2	230	59	289
	4%	3%	5%	3%	9%	12%	14%	17%	14%	7%	7%	7%	7%

Employee hires 2016	2016										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M.	W.	M.	W.	M.	M.	W.	M.	W.	M.	U.	D.	total
< 30	19	11	29	8	14	1	31	9	3	2	96	31	127
	33%	50%	38%	50%	26%	11%	39%	38%	50%	29%	35%	40%	36%
30 - 50	140	33	41	10	46	5	44	9	3	2	274	59	333
	16%	14%	9%	9%	19%	6%	13%	16%	11%	13%	14%	12%	14%
>50	0	0	5	0	25	7	7	1			37	8	45
	0%	0%	3%	0%	11%	8%	7%	10%	0%	0%	4%	4%	4%
TOTAL	159	44	75	18	85	13	82	19	6	4	407	98	505
	12%	13%	11%	10%	16%	7%	16%	21%	15%	17%	13%	12%	13%

Employee turnover 2016	2016										TOTAL		
	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China				
	M.	W.	M.	W.	M.	M.	W.	M.	W.	M.	W.	M.	Total
< 30	10	0	5	2	8	0	11	3	4	4	38	9	47
	17%	0%	6%	13%	15%	0%	14%	13%	67%	57%	14%	12%	13%
30 - 50	36	4	20	4	19	7	90	13	5	4	170	32	202
	4%	2%	4%	4%	8%	8%	27%	22%	18%	27%	9%	6%	8%
>50			14	2	20	4	33	9			67	15	82
	0%	0%	9%	4%	9%	4%	34%	90%	0%	0%	7%	7%	7%
TOTAL	46	4	39	8	47	11	134	25	9	8	275	56	331
	3%	1%	6%	4%	9%	6%	27%	27%	23%	35%	9%	7%	8%

Fair remuneration

Ansaldo STS manages employment relationships with its employees in accordance with the laws in place in the various countries where it operates. It also periodically weighs the most significant positions in the organization with the support of a company specialized in this field and compares the remuneration of the employees holding such positions on a weighted basis, against the market benchmarks. If the remuneration is not in line with the market (and, obviously, if the employees have received positive performance assessments), their remuneration is adjusted.

Since 2013, Ansaldo STS has extended the weighting to lower levels of its organization as well, using the results of the Global Job System project, which involved approximately 3,000 of the company's personnel. This made it possible to create a tool useful in the global assessment of the consistency between the responsibilities and remuneration, without distinguishing by country, gender, culture, etc., in accordance with the company's values, which protect and promote the equal treatment of people.

Protected worker categories

The policies for the inclusion of disabled people in the headcount fall within the framework of a program defined at European level with respect to social inclusion policies. In Italy, the integration of disabled citizens or citizens belonging to protected categories is subject to Law 68 of 12 March 1999, which first recognized the dignity and social value of the disabled by effectively including them in the labor market. Having abandoned the concept of the "mandatory" hiring practices that were provided for by the previous law (Law 482/1968), Law 68/99 introduced the key concept of "targeted" employment, defined in article 2 as "a set of technical and support tools which make it possible to adequately assess disabled people in their work abilities and to recruit them for the most suitable position, by analysing positions, forms of support, positive actions and solutions to issues related to environments, tools and interpersonal relations in the daily place of work and contact".

Compliance with the provisions of Law 68/99 entails the obligation for companies to hire a specific percentage, determined in that law, of personnel in protected worker categories. In Italy, in particular, the percentage of disabled workers required by law for Ansaldo STS SpA is 7%. Ansaldo STS has reached agreements with the labor centres for the hiring of people in protected worker categories.

EMPLOYEE WELL-BEING: PEOPLE CARE

The "People Care" concept is an extensive one for Ansaldo STS and applies to employees' well-being as both professionals and individuals. The basic concept is linked to the "Total Reward" strategy, based on tangibles and intangibles, to improve personal satisfaction. It is no coincidence that "People" is one of the company's five values in its identity: people are at the very heart of the Organization, and this demonstrates the company's focus on making the work place an environment where they can gain experience, develop competencies, forge relationships and find motivation continuously.

Ansaldo STS's focus on people can be first seen in the way it guarantees a comfortable and motivational work environment by actively supporting, through its corporate processes, relationships between managers and employees and relationships between colleagues. Furthermore, there are various support services available in different countries for both full time and part time employees and, in some cases, their families as well.

Flexible schedules, agreements with entertainment and sports centers, benefits like health insurance, Family Open Days, employee scholarships, corporate welfare and celebrations of successful projects are some of the tools used.

One of the points on which Ansaldo STS is most committed worldwide is supplementary health care, considered one of the measures most appreciated by its employees. In this regard, the company has developed health care plans in various countries (Australia, USA, Italy). In Italy, starting in 2017, supplementary health care was extended to all employees under the national collective labor agreement, while higher-level care is still available for middle managers and executives.

In Australia, a Health & Wellbeing Committee has been created, which has substantially improved the workers' perception of work-life balance.

In addition, due to the strong propensity to travel required of Ansaldo STS employees, insurance policies have been taken out to ensure that staff on missions and expatriates receive healthcare treatment comparable with that provided in their country of origin all over the world.

Colleagues who have to travel abroad on business can also use a travel tracker to be constantly informed about any issues related to their travel and their country of destination.

Further corporate investments in people care such as company canteens, corporate credit cards, employee welfare vouchers and recreational clubs are in line with the expectations of employees in their home countries and may therefore vary from region to region.

TRAINING AND DEVELOPMENT

Our approach to the management of training and human resources development is based on translating the company's goals into development paths and management and operating methods consistent with Ansaldo STS's business model, by defining development paths that are consistent with the required profiles and developing both core competencies (needed to supervise work activities) and managerial skills aimed at supporting the personnel's full compliance with the Group's distinctive values.

Training is developed through projects in four main areas:

- regulatory training;
- language training;
- managerial training;
- technical/specialized training.

Ansaldo STS also offers specific training courses to many groups of employees, ensuring paths that will help them develop in their career or expand upon the skills needed to meet the responsibilities of their job.

In 2017, 93,368 hours of training were provided, up 25.7% compared to 2016.

HOURS OF TRAINING	2016	2017
	74.269	93.368

The average yearly hours of training per employee in 2017 totalled 22.1 (22.9 for men and 19.0 for women), up 17.5% over 2016. Details are provided below broken down by category.

AVERAGE HOURS OF TRAINING PER YEAR	2016		2017	
	MEN	WOMEN	MEN	WOMEN
Managers	11.9	2.3	11.6	3.3
Junior managers	19.0	28.2	24.1	25.8
White collars	18.8	19.9	23.3	19.6
Blue collars	17.0	12.4	20.6	9.3
Average hours per year per employee	18.8		22.1	

Average hours by region and gender in 2017 are illustrated below:

AVERAGE HOURS OF TRAINING PER YEAR BY GENDER AND REGION	Central and Eastern Europe and the Middle East		Western Europe		The Americas		Asia Pacific		China		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
2017	26.2	19.5	31.7	23.6	13.6	17.2	11.7	13.1	18.0	16.3	22.9	19.0
2016	18.1	17.0	23.3	24.8	15.6	13.3	16.8	34.5	11.9	14.7	18.5	19.8

Ansaldo STS has also updated its corporate talent management and development model in order to ensure that these high development potential profiles can access a path that focusses on increasing key skills such as innovation and knowledge of current business developments as well as the new technological trends and services required by the constantly evolving digital market.

Ansaldo STS also monitors the path of its employees from the recruitment phase until the end of the employment relationship, ensuring, through structured processes, compliance with regulations and business agreements and promoting the value of the human resource through development actions.

The selection involves opening several channels aimed at identifying the best candidates for the open position. Ansaldo STS offers candidates the possibility to apply for a position via our web site. In addition, the company employs leading personnel recruitment providers to identify people with greater skills. Lastly, Ansaldo STS has opened a LinkedIn page and uses the recruiter profile to make targeted selections. Agreements have also been entered into with universities for the scouting of recent graduates and we now have consolidated contacts within the main business schools to carry out internships and training periods.

All employees that are hired at Ansaldo STS are included in the company's organizational structure, receive a job title and a structured induction course. Every year, the company initiates the Performance Development Plan (PDP), the skills assessment (Global Job System) and salary review processes. These processes, launched simultaneously in all Ansaldo STS regions, facilitate the professional growth of our employees.

The company also provides processes that are aimed at the highest levels of the of the company's workforce, which are subject to a comprehensive assessment process and receive variable incentives (so-called MBO) and/or other benefits¹⁰.

The comprehensive evaluation process also applies to middle management, worldwide. In 2016, throughout Ansaldo STS worldwide, 325 resources participated in the program, versus 367 in 2017.

¹⁰ For further information, see paragraph *Incentive Plans* in the Consolidated Financial Statements at 31 December 2017

Over the past two years, and in line with the empowerment programs, the PDP has been fine-tuned further so that not only department heads are rated, but also Project Managers (PMs) and Project Engineers (PEs).

The performance evaluation system

Performance assessment is a key tool in managing the development of human resources. Ansaldo STS has implemented a global, structured and consistent process at international level called Performance Development Plan (PDP), which it launched in 2010, and which assigns and assesses performance and development targets for all Ansaldo STS personnel. The entire process is managed online, to significantly reduce the use of printed paper, and consists of three phases:

- phase 1 - planning: relates to the formalized assignment of targets linked to business and/or individual performance indicators and professional development indicators;
- phase 2 - coaching: involves the continuous monitoring of performance by the employee's direct supervisor and mentor;
- phase 3 - review: the final assessment phase in which all the employee's ratings are combined (self-assessment, direct supervisor's assessment and those of other people selected from within the organization for a more comprehensive outlook of individual performance).

The process now covers over 95% of the company's headcount. The result is significant, as it lays a sound foundation for a more objective and structured definition of the development paths and ways in which to reward all Ansaldo STS employees worldwide. In particular, after the integration of the Global Job System, PDP became an even more complete development tool, as the assessment of abilities and skills performed concurrently with the performance assessment, makes it possible to define individual targets and growth paths that are effectively in line with expectations for the position.

During 2017, following last year's Global Employee Survey on the company's workforce, the Human Resources Department identified and carried out a series of initiatives aimed at improving perceptions that arose from the responses in some areas. In addition, each manager with more than 6 direct reports was given direct access to the aggregated results of his team, inviting the team members to include among their objectives for the year improvement actions based on the feedback of the survey. In September a new questionnaire was launched in which about 76% of the company's workforce participated. The 2017 results highlighted improvements compared to 2016 on all areas surveyed.

SOCIAL DIALOGUE

The relaxed relationship that Ansaldo STS maintains with its employees is reflected in an extremely low rate of trade union disputes. This context often leads to the resolution of any issues with employees internally, with scarce recourse to intervention by trade unions, which, in any case, act in an environment of general cooperation. The only strikes declared have been due to general political and trade union issues, which have nothing to do with the company.

At the group level, Ansaldo STS has reached formal agreements with the trade unions in the various countries concerned, as shown in the table. In Central Europe and Western Europe, the agreements relate to, inter alia, work hours, remuneration and health and safety conditions in the workplace.

In Australia, labor relations are extremely positive and the next 3-year company contract is due to be negotiated soon.

In Malaysia there are no formal agreements and employees must only comply with the Employment Act of 1955 (which establishes that the number of hours worked may not exceed 48) and specific Acts enacted by the Government with respect to health and safety.

In Italy, Ansaldo STS's system for trade unions is based on two levels of participation, given the fact that the company has various operating sites scattered throughout Italy:

1. Strategic Observatory; 2. National Coordination

The industrial relations system (in Italy) makes it possible to act upon the requests from the company's population and improve the well-being of workers. In this perspective, in December 2017 the Trade Unions presented a proposal for a platform for the second level supplementary contract, which will be discussed with the company in 2018. Among the proposed issues that will contribute to improving employees' working conditions, the possibility of extending the flexibility of employees' working hours and starting a smart working experiment will be considered.

Each month, in France, personnel delegates may present individual or collective issues to their employers, in relation to the application of the law, regulations and collective agreements.

The system of trade union relationships at Ansaldo STS Spain is based on the following:

1. strategic lines; 2. national coordination

The total number of employees covered by national labor agreements, where this type of trade union negotiation is applicable, is shown below:

2017	Central and Eastern Europe and the Middle East		Western Europe		Asia Pacific	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Managers	56	8	11	0	0	0
Junior managers	298	51	53	10	0	0
White collars	1,103	303	574	163	0	0
Blue collars	38	6	62	20	6	0
TOTAL	1,495	368	700	193	6	0

The percentage of employees covered by national labor agreements in Central and Eastern Europe and the Middle East is 100%, while in Western Europe it is 98%. The percentage is minimal in the Asia Pacific due to Ansaldo STS's ongoing efforts to invest in a fair work

environment with respect to the market. The data are not meaningful for the Americas and China as there are no national labor agreements in these areas.

Prior notice in the event of organizational changes

The adjustment of the organizational structure, along with the operating procedures that support it, is an ongoing and continuously evolving process that meets the similarly ongoing and continuously evolving scenario in markets where Ansaldo STS operates. In the event of particularly significant organizational changes, specific communications initiatives target broad categories of employees to explain the reasons for the changes.

Although not having an obligation related to the number of weeks of notice, the company issues, on average every six months, the organizational chart that specifies inclusion and classification of each employee.

Furthermore, in Italy, the currently applicable national labor agreement requires a specific meeting to inform the Trade Unions of decisions that have a material impact on labor organization. A similar procedure is provided for in France, requiring a mandatory document to be sent to the work council explaining the reasons for the organizational change, followed by a meeting with work council representatives no later than 15 days after the document is sent.

SOCIAL ASPECTS

Customer satisfaction, Social innovation and ethical management of supplies are between the most relevant issues for the company related to the Social scope, in terms of the ability to increase the company's reputation and competitive advantage and being able to influence the judgment and choices of its stakeholders.

As of the present day, no specific policies have been formalized on these issues, but the company practices some policies that result in consolidated practices and management procedures effective for the whole Group.

CUSTOMER SATISFACTION

Customer satisfaction is central to Ansaldo STS's strategy: the ability to understand customers' needs and expectations and meet them is the top value on which it bases its company culture. In general, each Customer has a contact at Ansaldo STS, a specific Project Manager overseeing its contract.

The Project Manager is responsible for ensuring the customer is satisfied, responding to any issues that might arise over the course of the contract.

The organization of Proposal activities and Project Management is fundamental to carrying out a project that meets the quality requirements of the products and services offered and in order to provide them according to deadline and budget restrictions. To this end, the objective of Project Management is to protect the interests of Ansaldo STS's Stakeholders, including shareholders, who are mainly focused on the results of the business, and its customers, who want to receive top quality responses according to established schedules in line with the transportation needs of a city or the community at large.

In this area, the most significant development in market dynamics in recent years has entailed the progressive shift from the provision of products and technologies to customers' demand for turn-key transportation solutions that efficiently meet the needs of local and national institutions. This new type of offer requires the capability of helping our customers, who are increasingly considered less as buyers and more as partners, to manage a project throughout its entire life cycle.

The management of Customer Satisfaction

A specific Team handles Customer Satisfaction ("CS") activities. The team is made of the managers of the various departments: System Assurance & Control, Railways & Mass Transit Business Unit, Freight Business Unit, Operations and HSE, Facility Management & Physical Security.

Customer Satisfaction activities consist of various stages and are carried out using different tools to accurately monitor the customer satisfaction level and the progress of projects until their completion. These tools include:

- **Customer Satisfaction Monthly Meeting:** monthly meetings via videoconferencing, to discuss CS activities and reach decisions on the steps to be taken.
- **Customer Satisfaction Quarterly Reports:** quarterly reports prepared with the support of the Business Unit managers on projects that are critical to Customer Satisfaction. The Project Manager is responsible for reporting on critical points (in terms of planning, quality

and costs) and the related mitigation action. A statistical analysis on the development of these critical points is attached to the Report.

- **Customer Satisfaction Survey:** a series of one-on-one interviews with top representatives of a sample of customers. It is carried out using a specific questionnaire

CUSTOMER SATISFACTION SURVEY	2016	2017
Number of customer satisfaction surveys received	8	7

- **Complaints Management:** the Project Managers are responsible for recording customers' complaints, which are sent each quarter to the Customer Satisfaction Coordinator, until the complaint is resolved. The Customer Satisfaction Team checks and records all information and, twice a year, prepares a global analysis. This analysis is used as the basis to calculate the "customer complaint" KPI.
- **Customer Satisfaction of Project Teams,** whereby customer satisfaction is evaluated for each key project considering the following main aspects: costs, planning, service quality and product quality. The Regional BU Managers gather the results of these surveys from the Project Managers. Finally, the CS Team checks the global results and their consistency with expectations.
- **Customer Satisfaction Reports:** reports prepared half-yearly by the Customer Satisfaction Process Owner. These reports summarize CS activities in the period (CS of the Project Teams, complaints analysis and focus on various projects) and are sent to the company's top management. They are included in the Management Review.

Control of project operational risks and project opportunities

Among actions to mitigate risks and increase opportunities linked to the quality, timing and costs of projects, note:

- adoption of Project Risk Management processes, both during the bidding and project performance stages, to minimize the consequences of negative events and maximize the impact of positive events, through constant monitoring of risks, mitigation and opportunities;
- clear assignment of responsibilities to the Project Manager, Project Controller and project team;
- periodic review of the project and of estimates during bidding;
- periodic monitoring and reporting of key projects by the Risk Management function;
- independent review of key projects by the Risk Management department.

SOCIAL INNOVATION

NEW TECHNOLOGIES TO IMPROVE THE PERFORMANCE, RELIABILITY, SAFETY AND ENVIRONMENTAL IMPACT OF OUR PRODUCTS AND SOLUTIONS.¹¹

Ansaldo STS has always devoted ongoing attention to Research and Development, in order to identify and create innovative technical solutions and develop products of the very highest quality, safety and environmental standards.

Ansaldo STS operates daily with the aim of improving quality of life by designing new transport systems which, every day, safely carry millions of people and freight while fully respecting the environment and energy efficiency, by developing increasingly compact and energy-efficiency hardware, integrated in increasingly advanced solutions and able to respond to the new frontiers of community needs, the search for new green technologies and above all trying to rationalize consumption while avoiding waste.

Today the Ansaldo STS team within the Hitachi group can further develop its innovative approach, also by tapping the group's references in the Big Data and Internet of Things field. It is now possible to combine a range of technologies to create integrated solutions that lead to new performance and services offered.

At Ansaldo STS "Innovation" also means participating in research projects funded by the European Commission, the Ministry of Education, Universities and Research, the Ministry for Economic Development and the Ministry of the Environment.

Research and development expense taken directly to profit or loss for the year ended 31 December 2017, net of grants, totalled €41.3 million (€36.7 million in 2016). In particular, total research and development expense was €43.6 million (€38.6 million in 2016), against grants approximating €2.3 million (€1.9 million in the previous year).

Product and solution safety and reliability

Ansaldo STS ensures that it develops and delivers products, applications and systems that are: safe, in compliance with Italian and international laws applicable to railway systems and reliable, compliant with its customers' needs and its internal quality standards. It achieves this through RAMS (Reliability, Availability, Maintainability & Safety) activities.

These activities are performed on all Ansaldo STS projects in which safety and reliability are relevant, which constitute over 90% of total company activities.

Safety and reliability are achieved through hazard analysis, a structured process in line with sector standards. It begins with the identification of hazards based on previous experience, the assessment of specifications for the various processes stages and hazard workshops during which experts from Ansaldo STS and from the customer discuss the various issues. Potential risks are then included in a hazard log, which is constantly updated over the life cycle of the project. For each hazard mapped, the log also includes the mitigation measures, activities to check that they were effectively implemented and an assessment of the residual hazard. The residual hazard level is assessed and accepted only if it is below the limits established by standards and customer requirements.

¹¹ For more information see chapter *Research And Development* in the Consolidated Financial Statements at 31 December 2017

The main safety standards are those issued by CENELEC - European Committee for Electro technical Standardization. Specifically, relevant standards are:

- CEI 50126 on RAMS applicable to the railway field;
- CEI 50128 on software security;
- CEI 50129 on electronic device safety;
- CEI 50159 on railway communications security.

Recording and assessment of non-conformities and accidents to improve safety

Any non-conformities with safety specifications during the development, testing and, obviously, roll-out, is carefully analysed and recorded. In general, no conduct of this type is tolerated and requires a review and change (hardware or software) in the element that does not meet the required technical specifications.

In general, Ansaldo STS gathers two types of data to assess the reliability of its products: data on parts (fault charts), beginning with the assistance requests sent to the Service unit, and data on systems affecting the key service parameters (frequency of trains, skipped runs, delays, etc.). Data on parts are analysed to identify the most defective parts and alternative solutions are sought to improve performance, while for data on systems, all service interruptions are analysed to determine the causes.

Reliability of solutions

The reliability of solutions is also due to the use of redundant platforms that provide fault tolerant configurations, i.e., those that can continue to function even when certain sections present faults. This type of approach was successfully applied in Italian high-speed railways, where specific systems have been developed for the diagnostics and control of the electrical substations. These tools make it possible to plan “preventive maintenance” on lines, i.e., monitoring all substations and reporting when one of them is at risk of faults. In this way, greater environmental sustainability is ensured, with the resulting reduced consumption of spare parts and lower risk of service interruptions on the line due to faults.

ETHICAL MANAGEMENT OF SUPPLIES

Ansaldo STS has drawn up new criteria to assess and monitor its suppliers and to define a new action plan to assist them improve their sustainability given the increasing importance of the Supply Chain’s social and environmental aspects.

Supplier vetting and the process for the purchase of assets, goods and services are carried out in accordance with the principles of the code of ethics and internal quality procedures, as well as in accordance with current environmental, health and safety regulations. In the management of relationships with suppliers and subcontractors, as for all business and financial dealings of any kind, Ansaldo STS requires its counterparties to conduct themselves in accordance with the principles of loyalty, fairness, transparency, efficiency and legal compliance.

To this end, suppliers and subcontractors are vetted on the basis of objective, transparent and documentable evaluation criteria, in accordance with the principles of the Code of Ethics and all procedures provided for by specific protocols, in writing and in line with the current hierarchical structure.

A new Supplier Qualification & Monitoring Unit, part of the Quality Assurance function coordinates supplier qualification. In addition, Ansaldo STS has specified that the qualification process is interdisciplinary and based on opinions of several units involved therein. The Technical, Procurement, Quality and EHS units are involved.

Ansaldo STS revised its supplier questionnaire, introducing specific questions about the environment and safety, directly involving the EHS unit in supplier qualification and defining a list of “sensitive” goods, where the latter unit’s involvement is mandatory.

The questionnaire update covered the following EHS aspects

- introduction of a safety management system compliant with the BS OHSAS 18001 standard;
- introduction of an environmental management system compliant with the UNI EN ISO 14001:2007 standard;
- introduction of sustainability procedures/programs;
- application of the legislative requirements to comply with the REACH/ROHS/RAEE regulations;
- collection of data about accidents, non-compliance, training and emergencies.

The questionnaire is sent to all new suppliers during the qualification phase.

Supply Chain Mapping

Ansaldo STS has conducted an initial mapping of its supply chain with respect to compliance with Environmental, Social and Governance (ESG) criteria. Indeed, the standard purchase order model includes general supply conditions, compliance with the Code of Ethics and, when vetting new suppliers, Ansaldo STS gathers information on their compliance with quality, hygiene, health and safety in the workplace standards and their environmental policies, by requiring ISO 9001, ISO 14001 and OHSAS 18001 certification. Ansaldo STS applies these characteristics as preferential requisites and they are considered in the supplier’s eligibility score. The mapping showed:

SUPPLIER MAPPING	2016	2017
Number of suppliers in the register by direct and indirect product types (2010-2017)	15,025	16,146
Total active suppliers (with order issued during the year)	3,250	3,321
Number of suppliers covering 80% of the value of ordered in the year	190	136
Qualified suppliers (Classes A and B)	124	311
<i>of which¹²:</i>		
<i>ISO 14001 certified suppliers</i>	17	42
<i>OHSAS 18001 certified suppliers</i>	15	37

¹² The 2017 figures have been estimated in proportion to the 2016 data

As Ansaldo STS is increasingly operating in emerging countries, during supplier selection and qualification phase, it has been decided to prefer large companies, possibly with quality, environmental and safety certifications. For this reason, in 2017 there was an increase in the number of qualified Class A and B companies and an increase in those in possession of ISO 14001 and OHSAS 18001 certifications.

Mapping is the first step in the definition of the specific sustainability policy for the Supply Chain. The main guidelines of this policy will be:

- audit activities on site suppliers, including a review of sustainability performance, with technical controls on products for suppliers of materials;
- collaboration between Ansaldo STS and suppliers in product design;
- activities to inform suppliers about sustainability issues;
- the extension of annual monitoring activities to suppliers classified in the A category.

In the United States, it is common that customers include the obligation to assign a percentage of the contract to a DBE company (Disadvantaged Business Enterprises) that is regulated by the local and federal governments. Each DBE must be certified by the specific Transit Authority.

To meet the contractual requirements, Ansaldo STS in the USA has identified and qualified several DBE companies with which it is possible to carry out transactions in order to meet the percentage required by the contractual objectives.

In general, this includes training DBE employees to carry out work normally performed by Ansaldo STS employees, in compliance with processing standards.

PROTECTION OF HUMAN RIGHTS

The protection of human rights is considered a very relevant issue by company and its stakeholders, as highlighted by the materiality analysis.

Ansaldo STS, despite not having formalized its commitment to a specific policy, practices policies in order to uphold and promote human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all - regardless of race, nationality, political creed, religion, gender, age, minority status, disability, sexual orientation, personal or social condition – and always respecting the dignity of each individual and each employee.

Ansaldo STS does not allow or tolerate the establishment of employment relationships, even by external collaborators, suppliers or business partners, violating the existing legislation on child, woman and immigrant labor, and carefully controls the risks associated with the employment of forced workers. The Company, besides, requires its contractors and subcontractors to ensure the same attention in order to contribute to abolish such illegal behaviours.

For what concerns the respect of human rights as they relate to workers' rights, Ansaldo STS offers equal opportunities, ensuring fair treatment on the basis of individual expertise and abilities and hiring people under legal employment contracts, mainly on an open-ended basis, in accordance with laws, national labor agreements, company agreements and current regulations. Ansaldo STS guarantees that its workers are free to join trade unions, and sees that its relationships with the unions are cooperative and friendly in which workers may report their opinions to Human Resources Department directly or via delegates.

TOOLS AND INITIATIVES RELATED TO THE RESPECT OF HUMAN RIGHTS

The main instrument through which Ansaldo STS guarantees its commitment to respecting human rights is the **Code of Ethics**, to which members of the governing and controlling bodies, managers and employees - including those of the companies directly or indirectly controlled by the Group – adhere, together with all those who enter into contractual relationships that imply fulfilments of which the company can request compliance.

In 2017 a specific training activity on human rights aspects, which has involved 32 people, has been carried out, for a total of 224 hours of training. In 2016, similar training courses had not been provided.

COMMITMENT TO THE GLOBAL COMPACT

Ansaldo STS has also endorsed the Global Compact, a voluntary United Nations initiative to **encourage respect for human rights, labor**, environment and anti-corruption set out in 10 principles. Its confirmation reiterates its commitment to considering the Global Compact and its main principles an integral part of the company's strategies and culture.



GLOBAL COMPACT NETWORK ITALY FOUNDATION

Ansaldo STS is a Founding member and Sponsor of the Global Compact Network Italy Foundation which contributes to the development of the "Global Pact", along with 17 other organizations, private companies, universities and research institutes, non-profit foundations and civil society organizations.

ANTI-CORRUPTION

Ansaldo STS promotes at all levels and within the scope of its business, the fight against corruption in all its different forms, whether active or passive, direct or indirect, involving subjects related to the public or private sector.

In this context, Ansaldo STS has adopted a "zero tolerance" approach, which entails that the Company does not tolerate any kind of corruption, in any form, manner or jurisdiction it may occur, including therein any conduct that may be permitted, tolerated or not prosecuted in the countries in which the Group does business.

Ansaldo STS, despite not having a specific formalized policy, has a corruption risk management system based on several control tools to combat and prevent corruption-related behavior that together constitute the system of policies practiced by Ansaldo STS in the fight against corruption. Among these tools, the Ansaldo STS Group considers particularly important its adoption of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001, the body of corporate procedures and also the due diligence activities carried out on the third parties with which Ansaldo STS deals.

The main risk areas, in terms of both direct risks and risks supporting the committing of corruption-related offences, subject to compliance with the Model, are mainly: the commercial area, the area related to management of contracts, purchases, work sites, finance administration and control, the Human Resources area and subsidized loans area.

As a tool for controlling and mitigating corruption risk, the Group's Code of Ethics contains principles and rules of conduct, compliance with which enables Ansaldo STS and the Group Companies to prevent certain illegal conduct or offences - including those that are corruption-related - as required by the regulations of the various countries in which the Ansaldo STS Group operates, from being committed by corporate representatives. In particular, through the Code of Ethics, the Company promotes and applies a corporate culture inspired by responsibility, correctness and integrity in the conduct of daily activities, paying maximum attention to the professional conduct of its recipients.

The above-mentioned Code of Ethics is complemented by the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001 approved by the Board of Directors of Ansaldo STS, which contains specific principles of conduct and control aimed at preventing and mitigating the risk of committing corruption-related offences as set out by Italian Legislation and specifically referred to in articles 25 and 25-ter of Legislative Decree 231/2001.

In order to ensure that all employees are completely familiar with the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001, they receive reports when it is updated. In addition, a new e-learning training program was recently provided for nearly all employees of Ansaldo STS S.p.A. Employees working in crime risk areas, namely the company's executives and managers, sign periodic statements to certify their compliance with the Model and, if applicable, to describe the most significant relationships with public administration customers and representatives.

The prevention and fight against corruption-related conduct are also supported by a well-structured and comprehensive body of corporate procedures, applicable - where possible - to all Group Companies, in under which the conduct of company transactions and operations is governed so as to ensure the identification of the persons responsible for the decision-making and authorization process, and to provide traceability, so as to be able to identify, among other things, the reasons for the decisions made and the persons to be held accountable for them. The corporate body of procedures specifically governs and defines those which, due to

their very nature or to the type of parties involved, possibly also external, are potentially vulnerable to the risk of corruption.

In order to mitigate, among other things, also the risk of corruption, Ansaldo STS has defined, as a tool to combat this problem, a process to assess the various types of third parties with whom it deals, both within the scope of business activities and for of ordinary corporate operations. This process includes, in view of the multiple risk profiles that can be associated with the third parties involved, a range of assessment tools, aimed at verifying, among other things, the existence of potential indicators of a high risk of corruption.

Further to equip itself with effective prevention tools against the occurrence of potential corruption-related events, Ansaldo STS has launched - at Group level - a process to analyse its own corruption risk management system and to identify its possible areas to enhance. This activity, also in compliance with the Company's international vocation, was carried out taking into consideration the Best Practices in this area and the main international Guidelines and Conventions concerning the prevention and fight against corruption. This activity, also in order to ensure the uniformity and completeness of the risk management systems adopted by the Company, was also carried out with an overreaching perspective and in full coordination with the instruments defined as risk management pursuant to Italian Legislative Decree 231/2001.

The strengthening initiatives identified as a result of the aforesaid analysis will refine the current corporate corruption risk management system, with a view to increasing the effectiveness of the mitigation instruments that concern combating and preventing corruptive phenomena, including those at an international level. In this regard, Ansaldo STS has drawn on industry's best practices to support the analysis described above.

As a result of this analysis, Ansaldo STS is in the process, among other actions, of:

- refining its Corporate Governance system, by means of an extensive allocation of further specific roles and responsibilities within the corruption risk management system, also from a Group perspective;
- strengthening the existing monitoring tools and control mechanisms designed to control the corruption risk, and to define additional tools;
- strengthening the tools for disseminating the elements of its corruption risk management system to its staff, and improving its awareness and training.

Finally, it should be noted that no cases of corruption involving the Company and/or its employees were found during the year.

APPENDIX

GRI CONTENT INDEX

GRI STANDARDS	Disclosures	Cross-reference	Omission Reason Explanation
General Disclosure			
GRI 102-1	Name of the Organization	p.1	
GRI 102-2	Activities, brands, products and services	p.5-8	
GRI 102-4	Location of operations	p.15-16	
GRI 102-8	Information on employees and other workers	p. 29-32	
GRI 102-15	Key impacts, risks, and opportunities	p.11-13; 21; 28; 41; 46; 47-48	
GRI 102-43	Approach to stakeholder engagement	p. 38-39; 40-41	<i>The details of the communication channels used with the various categories of stakeholders and the relative frequency of listening are currently not reported.</i>
GRI 102-47	List of material topics	p.4; 10-11	
GRI 102-55	GRI content index	p.49	
Management Approach			
GRI 103-2	The management approach and its components	p.15-17; 19-21; 23; 25; 26; 27; 28; 29; 34; 35-36; 38; 39; 40-41; 42-43; 43-45; 46; 47-48	
Anti-corruption			
GRI 205-3	Confirmed incidents of corruption and actions taken	p.48	
Energy			
GRI 302-1	Energy consumption within the organization	p.23-24	
GRI 302-3	Energy intensity	p.24-25	
GRI 302-4	Reduction of energy consumption	p.23-25	
Water			
GRI 303-1	Water withdrawal by source	p.26	
Emissions			
GRI 305-1	Direct (Scope 1) GHG emissions	p.22	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	p.22	
GRI 305-4	GHG emissions intensity	p.22	
GRI 305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	p.25	
Effluents and waste			
GRI 306-2	Waste by type and disposal method	p.27	
Supplier Environmental Assessment			
GRI 308-1	New suppliers that were screened using environmental criteria	p.44	
Employment			
GRI 401-1	New employee hires and employee turnover	p.32-33	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.34-35	
Labor management relations			
GRI 402-1	Minimum notice periods regarding operational changes	p.39	

Occupational Health and Safety			
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p.17	<i>Data related to the following aspects are currently not collected and available:</i> - breakdown by region and gender of accident indices - absentee rate - occupational disease rate
Training and Education			
GRI 404-1	Average hours of training per year per employee	p.35-36	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	p.35-37	
Diversity and equal opportunity			
GRI 405-1	Diversity of governance bodies and employees	p. 29-32; 34	
Human Rights Assessment			
GRI 412-2	Employee training on human rights policies or procedures	p.46	
Customer Health and Safety			
GRI 416-1	Assessment of the health and safety impacts of product and service categories	p.42-43	